

**VILLAGE OF CANAL WINCHESTER, OHIO**

***CASH BASIS BASIC  
FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED  
DECEMBER 31, 2009***

**NANISA OSBORN, FINANCE DIRECTOR**

**VILLAGE OF CANAL WINCHESTER, OHIO**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Accountant's Compilation Report

To the Members of Council and Mayor  
Village of Canal Winchester, Ohio

We have compiled the basic financial statements, as listed in the table of contents, for the Village of Canal Winchester (the "Village"), as of and for the year ended December 31, 2009, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The management's discussion and analysis, on pages 2 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Julian & Grube, Inc.*

February 23, 2010

## VILLAGE OF CANAL WINCHESTER, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 (SEE ACCOUNTANT'S COMPILATION REPORT)

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, 2009, 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 2009 are as follows:

- The total net cash assets of the Village increased \$375,783. Net cash assets of governmental activities increased \$270,675, which represents an 8.72% increase over fiscal year 2008. Net cash assets of business-type activities increased \$105,108 or 1.71% from fiscal year 2008.
- General cash receipts accounted for \$6,741,296 or 81.46% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,534,371 or 18.54% of total governmental activities cash receipts.
- The Village had \$8,004,992 in cash disbursements related to governmental activities; \$1,534,371 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$6,741,296 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 \$7,301,766 in 2009. The cash disbursements and other financing uses of the general fund, totaled \$7,228,539 in 2009. The general fund's cash balance increased \$73,227 from 2008 to 2009.
- The debt service fund, a Village major fund, had other financing sources of \$955,900 in 2009. The debt service fund had cash disbursements of \$951,556 in 2009. The debt service fund cash balance increased \$4,344 from 2008 to 2009.
- The Village's major business-type activities funds are the water fund and the sewer fund. Net cash assets for the water fund increased in 2009 by \$216,278 or 9.92%. The net cash assets for the sewer fund decreased in 2009 by \$190,499 or 5.10%.

#### **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, 2009 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### **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 2009? 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 13-15 of this report.

#### **Reporting the Village's Most Significant Funds**

##### *Fund Financial Statements*

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

Fund financial reports provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Village's most significant funds. The Village's major governmental funds are the general fund and the debt service fund. The analysis of the Village's major governmental funds begins on page 9.

## **VILLAGE OF CANAL WINCHESTER, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 (SEE ACCOUNTANT'S COMPILATION REPORT)**

#### ***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 revenues and expenses on the fund financial statements to the statement of activities – cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities – cash basis. The governmental fund statements can be found on pages 16-17 of this report.

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

#### ***Proprietary Funds***

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

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The Village's only fiduciary fund type is agency funds. Only the cash held at year end for the agency funds is reported on page 21.

#### ***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 22-39 of this report.

**VILLAGE OF CANAL WINCHESTER, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**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, 2009 and 2008:

	<b>Net Cash Assets</b>					
	<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>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 3,375,265	\$ 6,240,198	\$ 3,104,590	\$ 6,135,090	\$ 9,615,463	\$ 9,239,680
Total assets	<u>3,375,265</u>	<u>6,240,198</u>	<u>3,104,590</u>	<u>6,135,090</u>	<u>9,615,463</u>	<u>9,239,680</u>
<u>Net cash assets</u>						
Restricted	716,698	-	519,250	-	716,698	519,250
Unrestricted	<u>2,658,567</u>	<u>6,240,198</u>	<u>2,585,340</u>	<u>6,135,090</u>	<u>8,898,765</u>	<u>8,720,430</u>
Total net cash assets	<u>\$ 3,375,265</u>	<u>\$ 6,240,198</u>	<u>\$ 3,104,590</u>	<u>\$ 6,135,090</u>	<u>\$ 9,615,463</u>	<u>\$ 9,239,680</u>

The total net cash assets of the Village increased \$375,783. Net cash assets of governmental activities increased \$270,675, which represents an 8.72% increase over fiscal year 2008. Net cash assets of business-type activities increased \$105,108 or 1.71% from fiscal year 2008.

The balance of government-wide unrestricted net cash assets of \$2,658,567 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, 2009  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

The table below shows the changes in net cash assets for fiscal years 2009 and 2008.

	<b>Change in Net Cash Assets</b>					
	Governmental Activities 2009	Business-type Activities 2009	Governmental Activities 2008	Business-type Activities 2008	2009 Total	2008 Total
<b>Cash Receipts:</b>						
Program cash receipts:						
Charges for services and sales	\$ 864,006	\$ 3,103,270	\$ 690,593	\$ 2,904,610	\$ 3,967,276	\$ 3,595,203
Operating grants and contributions	373,049	-	335,910	-	373,049	335,910
Capital grants and contributions	297,316	-	594,938	-	297,316	594,938
<b>Total program cash receipts</b>	<b>1,534,371</b>	<b>3,103,270</b>	<b>1,621,441</b>	<b>2,904,610</b>	<b>4,637,641</b>	<b>4,526,051</b>
General cash receipts:						
Property and other taxes	461,000	-	463,746	-	461,000	463,746
Income tax	3,432,212	-	4,190,233	-	3,432,212	4,190,233
Unrestricted grants	288,645	-	350,897	-	288,645	350,897
Sale of assets	700	-	-	-	700	-
Sale of notes	2,000,000	-	-	-	2,000,000	-
Sale of bonds	-	-	5,790,000	-	-	5,790,000
Loans	-	-	456,000	85,722	-	541,722
OPWC loans	235,516	-	-	-	235,516	-
Premium on notes	9,820	-	-	-	9,820	-
Investment earnings	193,228	-	381,841	-	193,228	381,841
Other	120,175	25,011	69,161	96,101	145,186	165,262
<b>Total general cash receipts</b>	<b>6,741,296</b>	<b>25,011</b>	<b>11,701,878</b>	<b>181,823</b>	<b>6,766,307</b>	<b>11,883,701</b>
<b>Total cash receipts</b>	<b>8,275,667</b>	<b>3,128,281</b>	<b>13,323,319</b>	<b>3,086,433</b>	<b>11,403,948</b>	<b>16,409,752</b>
<b>Cash Disbursements:</b>						
Security of persons and property	909,642	-	896,463	-	909,642	896,463
Public health services	61,197	-	58,173	-	61,197	58,173
Leisure time activities	413,058	-	392,356	-	413,058	392,356
Community environment	551,895	-	607,354	-	551,895	607,354
Transportation	2,815,868	-	1,655,683	-	2,815,868	1,655,683
General government	1,522,268	-	1,626,516	-	1,522,268	1,626,516
Capital outlay	769,688	-	1,386,530	-	769,688	1,386,530
Debt service:						
Principal retirement	671,577	-	3,033,385	-	671,577	3,033,385
Interest and fiscal charges	279,979	-	347,344	-	279,979	347,344
Bond issue costs	-	-	147,617	-	-	147,617
Note issue costs	9,820	-	-	-	9,820	-
Discount on sale of bonds	-	-	9,239	-	-	9,239
Payment to bond escrow agent	-	-	3,433,142	-	-	3,433,142
Water	-	1,071,935	-	1,394,773	1,071,935	1,394,773
Sewer	-	1,815,891	-	1,544,194	1,815,891	1,544,194
Storm water	-	135,347	-	60,990	135,347	60,990
<b>Total cash disbursements</b>	<b>8,004,992</b>	<b>3,023,173</b>	<b>13,593,802</b>	<b>2,999,957</b>	<b>11,028,165</b>	<b>16,593,759</b>
<b>Change in net cash assets</b>	<b>270,675</b>	<b>105,108</b>	<b>(270,483)</b>	<b>86,476</b>	<b>375,783</b>	<b>(184,007)</b>
<b>Net cash assets at beginning of year</b>	<b>3,104,590</b>	<b>6,135,090</b>	<b>3,375,073</b>	<b>6,048,614</b>	<b>9,239,680</b>	<b>9,423,687</b>
<b>Net cash assets at end of year</b>	<b>\$ 3,375,265</b>	<b>\$ 6,240,198</b>	<b>\$ 3,104,590</b>	<b>\$ 6,135,090</b>	<b>\$ 9,615,463</b>	<b>\$ 9,239,680</b>

**VILLAGE OF CANAL WINCHESTER, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(SEE ACCOUNTANT’S COMPILATION REPORT)**

**Governmental Activities**

Governmental cash assets increased by \$270,675 in 2009 from 2008.

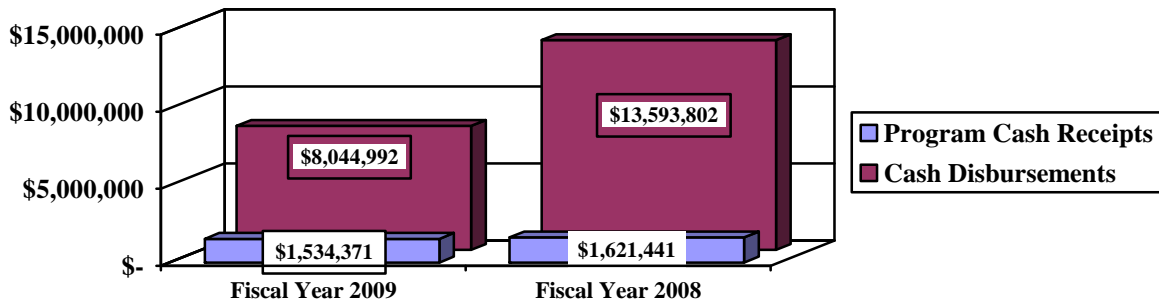
General government represents activities related to the governing body as well as activities that directly support Village programs. In 2009, general government cash disbursements totaled \$1,522,268, or 19.02% of total governmental cash disbursements. General government programs were supported primarily by \$363,016 in direct charges to users for services.

Capital outlay represents activities relating to construction projects within the Village. During 2009, capital outlay cash disbursements totaled \$769,688, or 9.62% of total governmental cash disbursements. Capital outlay was supported primarily by \$297,316 in capital grants.

The Village program, transportation, accounted for \$2,815,868 or 35.18% 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 2009 and 2008. 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**

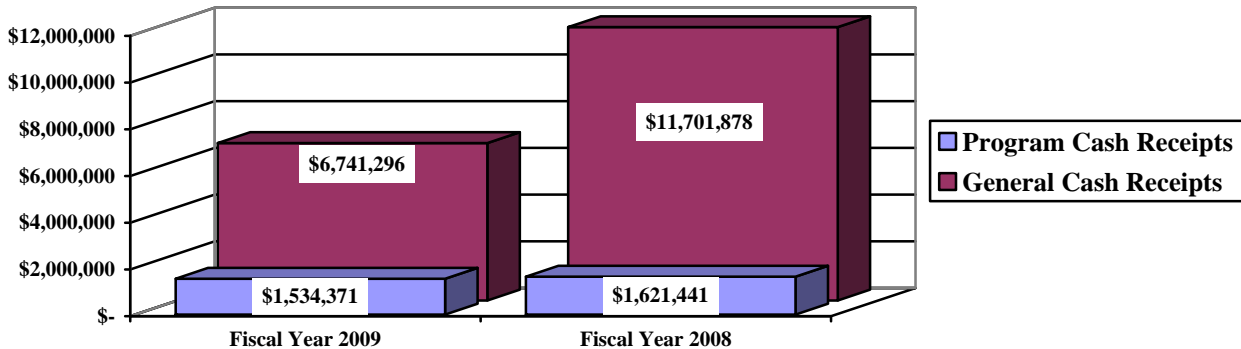
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2009	2009	2008	2008
Cash disbursements:				
Current:				
Security of persons and property	\$ 909,642	\$ 909,642	\$ 896,463	\$ 896,463
Public health services	61,197	61,197	58,173	58,173
Leisure time activities	413,058	288,263	392,356	259,952
Community environment	551,895	367,053	607,354	462,728
Transportation	2,815,868	2,296,541	1,655,683	1,286,712
General government	1,522,268	1,143,962	1,626,516	1,278,412
Capital outlay	769,688	442,587	1,386,530	759,194
Debt service:				
Principal retirement	671,577	671,577	3,033,385	3,033,385
Interest and fiscal charges	279,979	279,979	347,344	347,344
Bond issue costs	-	-	147,617	147,617
Note issue costs	9,820	9,820	-	-
Discount on sale of bonds	-	-	9,239	9,239
Payment to bond escrow agent	-	-	3,433,142	3,433,142
<b>Total</b>	<b>\$ 8,004,992</b>	<b>\$ 6,470,621</b>	<b>\$ 13,593,802</b>	<b>\$ 11,972,361</b>

The dependence upon general cash receipts for governmental activities is apparent; with 80.83% of cash disbursements supported through taxes and other general cash receipts during 2009.

**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 \$2,913,605 and cash disbursements of \$2,887,826 for fiscal year 2009. The net cash assets of the programs increased \$25,779 from 2008.

**VILLAGE OF CANAL WINCHESTER, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**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 \$3,375,265, which is \$270,675 higher than last year's total of \$3,104,590. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2009 and December 31, 2008, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2009</u>	<u>Fund Cash Balance</u> <u>December 31, 2008</u>	<u>Increase</u>
Major Funds:			
General	\$ 2,658,567	\$ 2,585,340	\$ 73,227
Debt Service	5,560	1,216	4,344
Other Nonmajor Governmental Funds	<u>711,138</u>	<u>518,034</u>	<u>193,104</u>
Total	<u>\$ 3,375,265</u>	<u>\$ 3,104,590</u>	<u>\$ 270,675</u>

**General Fund**

The general fund, the Village's largest major fund, had cash receipts and other financing receipts of \$7,301,766 in 2009. The cash disbursements and other financing disbursements of the general fund, totaled \$7,228,539 in 2009. The general fund's cash balance increased \$73,227 from 2008 to 2009.

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

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Receipts:</u></b>				
Taxes	\$ 3,840,406	\$ 4,605,310	\$ (764,904)	(16.61) %
Intergovernmental	288,645	350,897	(62,252)	(17.74) %
Special assessments	185,711	76,747	108,964	141.98 %
Charges for services	118,681	126,277	(7,596)	(6.02) %
Fines, licenses and permits	551,445	479,037	72,408	15.12 %
Investment income	192,546	377,468	(184,922)	(48.99) %
Other	<u>113,812</u>	<u>60,260</u>	<u>53,552</u>	88.87 %
Total	<u>\$ 5,291,246</u>	<u>\$ 6,075,996</u>	<u>\$ (784,750)</u>	(12.92) %

The decrease in taxes is primarily due to the decrease in the village income tax of \$758,021 from the previous fiscal year. The loss of employees from one major employer – Waste Management and lower corporate returns accounted for the lower income tax collections. Intergovernmental receipts decreased as fiscal year 2008 receipts included a grant from the Department of Natural Resources that was not repeated in fiscal year 2009. Lower receipts in charges for services and fines, licenses and permits are directly related to the slow down of development in the Village related to residential housing construction. Investment Income decreased due to a decrease in interest rates in the market.

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

**VILLAGE OF CANAL WINCHESTER, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase/</u> <u>Decrease</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements</u></b>				
Security of persons and property	\$ 909,642	\$ 896,463	\$ 13,179	1.47 %
Public health service	61,197	58,173	3,024	5.20 %
Leisure time activity	134,957	151,677	(16,720)	(11.02) %
Community environment	551,895	607,354	(55,459)	(9.13) %
Transportation	2,167,627	1,037,025	1,130,602	109.02 %
General government	1,503,316	1,626,516	(123,200)	(7.57) %
Capital outlay	291,697	246,607	45,090	18.28 %
Debt service	<u>9,820</u>	<u>2,605,955</u>	<u>(2,596,135)</u>	(99.62) %
Total	<u>\$ 5,630,151</u>	<u>\$ 7,229,770</u>	<u>\$ (1,599,619)</u>	(22.13) %

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 expenditures increased due to more amounts spent on street maintenance and repair. Capital Outlay increased as street projects moved from construction to maintenance and repair. Overall, cash disbursements decreased \$1,599,619 in fiscal year 2009 due primarily to \$2,605,955 in principal and interest payments on assessment notes that were made in fiscal year 2008.

***Debt Service Fund***

The debt service fund, a Village major fund, had other financing receipts of \$955,900 in 2009. The debt service fund had cash disbursements of \$951,556 in 2009. The debt service fund cash balance increased \$4,344 from 2008 to 2009.

***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 \$6,415,024 were the same as original budget estimates. Actual cash receipts and other financing receipts of \$7,301,766 were more than final budget estimates by \$886,742. The final budgetary basis disbursements and other financing disbursements of \$8,528,801 were \$1,750,862 above original budget estimates. The actual budgetary basis disbursements and other financing disbursements of \$7,480,283 were \$1,048,518 less than the final budget estimates.

***Enterprise Funds***

The Village's enterprise funds reported a combined fund cash balance of \$6,240,198, which is \$105,108 above last year's total of \$6,135,090.

**VILLAGE OF CANAL WINCHESTER, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2009 and December 31, 2008, for all major and nonmajor enterprise funds:

	<u>Fund Cash Balance</u> <u>December 31, 2009</u>	<u>Fund Cash Balance</u> <u>December 31, 2008</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
Water	\$ 2,396,607	\$ 2,180,329	\$ 216,278
Sewer	3,548,360	3,738,859	(190,499)
Other Enterprise Fund	<u>295,231</u>	<u>215,902</u>	<u>79,329</u>
Total	<u>\$ 6,240,198</u>	<u>\$ 6,135,090</u>	<u>\$ 105,108</u>

***Water Fund***

The water fund, a Village major fund, had operating cash receipts of \$1,288,213 and operating cash disbursements of \$821,516 during 2009. The water fund had \$250,419 in nonoperating cash disbursements during 2009. The water fund's net cash assets increased \$216,278 during 2009 from \$2,180,329 to \$2,396,607.

***Sewer Fund***

The sewer fund, a Village major fund, had operating cash receipts of \$1,625,392 and operating cash disbursements of \$1,355,409 during 2009. The sewer fund had \$460,482 in nonoperating cash disbursements. The sewer fund's net cash assets decreased \$190,499 during 2009 from \$3,738,859 to \$3,548,360.

**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 \$1,505,234 during fiscal year 2009.

***Debt Administration***

The Village had the following long-term obligations outstanding at December 31, 2009 and 2008.

	<u>Governmental</u> <u>Activities</u> <u>2009</u>	<u>Governmental</u> <u>Activities</u> <u>2008</u>
G.O. Bonds	\$ 7,280,000	\$ 7,790,000
OPWC loans	<u>2,585,458</u>	<u>2,511,519</u>
Total long-term obligations	<u>\$ 9,865,458</u>	<u>\$ 10,301,519</u>

**VILLAGE OF CANAL WINCHESTER, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(SEE ACCOUNTANT'S COMPILATION REPORT)**

	Business-Type Activities <u>2009</u>	Restated Business-Type Activities <u>2008</u>
Mortgage revenue bonds	\$ 4,570,000	\$ 4,800,000
OPWC loans	215,469	234,115
OWDA loans	<u>5,017,467</u>	<u>5,192,114</u>
Total long-term obligations	<u>\$ 9,802,936</u>	<u>\$ 10,226,229</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 2010:

The Village is located in Franklin County, Ohio, which has an unemployment rate currently of 8.8 % in December 2009, compared to the 10.7% state average and the 10.0 % 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 3.12% of the Village's general fund revenue in 2009. Property tax revenues are expected to remain consistent but expenditures will be down for fiscal year 2010. Income Tax revenues 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.

These economic factors were considered in preparing the Village's budget for fiscal year 2010. Budgeted revenues and other financing sources in the general fund for fiscal year 2010 are \$5,598,645 which reflects the anticipated lower income tax revenue collections. 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**

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**VILLAGE OF CANAL WINCHESTER, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS  
 DECEMBER 31, 2009  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash investments . . . . .	\$ 3,375,265	\$ 6,240,198	\$ 9,615,463
Total assets. . . . .	<u>3,375,265</u>	<u>6,240,198</u>	<u>9,615,463</u>
<b>Net cash assets:</b>			
Restricted for:			
Leisure time activities . . . . .	62,345	-	62,345
Transportation . . . . .	444,439	-	444,439
General government . . . . .	25,444	-	25,444
Other purposes . . . . .	34,191	-	34,191
Debt service. . . . .	5,560	-	5,560
Capital projects . . . . .	144,719	-	144,719
Unrestricted . . . . .	<u>2,658,567</u>	<u>6,240,198</u>	<u>8,898,765</u>
Total net cash assets . . . . .	<u>\$ 3,375,265</u>	<u>\$ 6,240,198</u>	<u>\$ 9,615,463</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, 2009  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	Cash Disbursements	Program Cash Receipts		
		Charges for Services	Operating and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Current:				
Security of persons and property . . . . .	\$ 909,642	\$ -	\$ -	\$ -
Public health services . . . . .	61,197	-	-	-
Leisure time activities . . . . .	413,058	124,795	-	-
Community environment . . . . .	551,895	184,842	-	-
Transportation . . . . .	2,815,868	191,353	327,974	-
General government . . . . .	1,522,268	363,016	15,290	-
Capital outlay . . . . .	769,688	-	29,785	297,316
Debt service:				
Principal retirement . . . . .	671,577	-	-	-
Interest and fiscal charges . . . . .	279,979	-	-	-
Note issue costs . . . . .	9,820	-	-	-
Total governmental activities . . . . .	<u>8,004,992</u>	<u>864,006</u>	<u>373,049</u>	<u>297,316</u>
<b>Business-Type activities:</b>				
Water . . . . .	1,071,935	1,265,562	-	-
Sewer . . . . .	1,815,891	1,623,032	-	-
Storm Water . . . . .	135,347	214,676	-	-
Total business-type activities . . . . .	<u>3,023,173</u>	<u>3,103,270</u>	<u>-</u>	<u>-</u>
Totals . . . . .	<u>\$ 11,028,165</u>	<u>\$ 3,967,276</u>	<u>\$ 373,049</u>	<u>\$ 297,316</u>

**General Cash Receipts and Transfers:**

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 . . . . .	
OPWC loan . . . . .	
Investment receipts . . . . .	
Miscellaneous . . . . .	
Total general cash receipts . . . . .	
Change in net cash assets . . . . .	
<b>Net cash assets at beginning of year . . . . .</b>	
<b>Net cash assets at end of year . . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (909,642)	\$ -	\$ (909,642)
(61,197)	-	(61,197)
(288,263)	-	(288,263)
(367,053)	-	(367,053)
(2,296,541)	-	(2,296,541)
(1,143,962)	-	(1,143,962)
(442,587)	-	(442,587)
(671,577)	-	(671,577)
(279,979)	-	(279,979)
(9,820)	-	(9,820)
<u>(6,470,621)</u>	<u>-</u>	<u>(6,470,621)</u>
-	193,627	193,627
-	(192,859)	(192,859)
-	79,329	79,329
-	80,097	80,097
<u>(6,470,621)</u>	<u>80,097</u>	<u>(6,390,524)</u>
408,194	-	408,194
52,806	-	52,806
3,432,212	-	3,432,212
288,645	-	288,645
700	-	700
2,000,000	-	2,000,000
9,820	-	9,820
235,516	-	235,516
193,228	-	193,228
120,175	25,011	145,186
6,741,296	25,011	6,766,307
270,675	105,108	375,783
<u>3,104,590</u>	<u>6,135,090</u>	<u>9,239,680</u>
<u>\$ 3,375,265</u>	<u>\$ 6,240,198</u>	<u>\$ 9,615,463</u>

**VILLAGE OF CANAL WINCHESTER, OHIO**

STATEMENT OF ASSETS AND FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>General</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,658,567	\$ 5,560	\$ 711,138	\$ 3,375,265
Total assets . . . . .	<u>\$ 2,658,567</u>	<u>\$ 5,560</u>	<u>\$ 711,138</u>	<u>\$ 3,375,265</u>
<b>Fund cash balances:</b>				
Reserved for encumbrances. . . . .	\$ 251,744	\$ -	\$ 4,398	\$ 256,142
Unreserved, undesignated, reported in:				
General fund. . . . .	2,406,823	-	-	2,406,823
Special revenue funds . . . . .	-	-	562,021	562,021
Debt service funds. . . . .	-	5,560	-	5,560
Capital projects fund. . . . .	-	-	144,719	144,719
Total fund cash balances . . . . .	<u>\$ 2,658,567</u>	<u>\$ 5,560</u>	<u>\$ 711,138</u>	<u>\$ 3,375,265</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, 2009  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
Taxes . . . . .	\$ 3,840,406	\$ -	\$ 52,806	\$ 3,893,212
Intergovernmental . . . . .	288,645	-	655,075	943,720
Special assessments . . . . .	185,711	-	-	185,711
Charges for services . . . . .	118,681	-	-	118,681
Fines, licenses and permits. . . . .	551,445	-	4,344	555,789
Interest. . . . .	192,546	-	682	193,228
Rental income . . . . .	-	-	3,825	3,825
Contributions and donations . . . . .	-	-	15,290	15,290
Other. . . . .	113,812	-	6,363	120,175
Total cash receipts . . . . .	<u>5,291,246</u>	<u>-</u>	<u>738,385</u>	<u>6,029,631</u>
<b>Cash disbursements:</b>				
Current:				
Security of persons and property . . . . .	909,642	-	-	909,642
Public health services . . . . .	61,197	-	-	61,197
Leisure time activities . . . . .	134,957	-	278,101	413,058
Community environment. . . . .	551,895	-	-	551,895
Transportation . . . . .	2,167,627	-	648,241	2,815,868
General government . . . . .	1,503,316	-	18,952	1,522,268
Capital outlay . . . . .	291,697	-	477,991	769,688
Debt service:				
Principal retirement . . . . .	-	671,577	-	671,577
Interest and fiscal charges . . . . .	-	279,979	-	279,979
Note issue costs . . . . .	9,820	-	-	9,820
Total cash disbursements . . . . .	<u>5,630,151</u>	<u>951,556</u>	<u>1,423,285</u>	<u>8,004,992</u>
Excess of cash disbursements over cash receipts . . . . .	<u>(338,905)</u>	<u>(951,556)</u>	<u>(684,900)</u>	<u>(1,975,361)</u>
<b>Other financing receipts (disbursements):</b>				
Sale of notes . . . . .	2,000,000	-	-	2,000,000
Premium on notes . . . . .	9,820	-	-	9,820
Sale of assets . . . . .	700	-	-	700
OPWC loan . . . . .	-	-	235,516	235,516
Transfers in. . . . .	-	955,900	642,488	1,598,388
Transfers out . . . . .	(1,598,388)	-	-	(1,598,388)
Total other financing receipts . . . . .	<u>412,132</u>	<u>955,900</u>	<u>878,004</u>	<u>2,246,036</u>
Net change in fund cash balances . . . . .	73,227	4,344	193,104	270,675
<b>Fund cash balances at beginning of year. . . .</b>	<u>2,585,340</u>	<u>1,216</u>	<u>518,034</u>	<u>3,104,590</u>
<b>Fund cash balances at end of year . . . . .</b>	<u>\$ 2,658,567</u>	<u>\$ 5,560</u>	<u>\$ 711,138</u>	<u>\$ 3,375,265</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, 2009  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary basis receipts:</b>				
Taxes . . . . .	\$ 3,378,561	\$ 3,378,561	\$ 3,840,406	\$ 461,845
Intergovernmental. . . . .	253,933	253,933	288,645	34,712
Special assessments. . . . .	163,378	163,378	185,711	22,333
Charges for services . . . . .	104,409	104,409	118,681	14,272
Fines, licenses and permits . . . . .	485,129	485,129	551,445	66,316
Interest . . . . .	169,391	169,391	192,546	23,155
Other . . . . .	100,125	100,125	113,812	13,687
Total budgetary basis receipts . . . . .	<u>4,654,926</u>	<u>4,654,926</u>	<u>5,291,246</u>	<u>636,320</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Security of persons and property . . . . .	938,671	953,858	909,642	44,216
Public health services. . . . .	59,000	63,700	61,197	2,503
Leisure time activities . . . . .	293,871	293,871	145,257	148,614
Community environment. . . . .	687,383	687,383	551,895	135,488
Transportation . . . . .	936,141	2,636,141	2,362,035	274,106
General government . . . . .	1,777,973	1,823,948	1,550,352	273,596
Capital outlay . . . . .	395,500	380,500	291,697	88,803
Debt service:				
Note issue costs . . . . .	-	-	9,820	(9,820)
Total budgetary basis disbursements. . . . .	<u>5,088,539</u>	<u>6,839,401</u>	<u>5,881,895</u>	<u>957,506</u>
Excess of budgetary basis receipts over (under) budgetary basis disbursements. . . . .	<u>(433,613)</u>	<u>(2,184,475)</u>	<u>(590,649)</u>	<u>1,593,826</u>
<b>Other financing receipts (disbursements):</b>				
Sale of notes . . . . .	1,759,482	1,759,482	2,000,000	240,518
Premium on notes . . . . .	-	-	9,820	9,820
Sale of assets . . . . .	616	616	700	84
Transfers out . . . . .	(1,689,400)	(1,689,400)	(1,598,388)	91,012
Total other financing receipts (disbursements). . . . .	<u>70,698</u>	<u>70,698</u>	<u>412,132</u>	<u>341,434</u>
Net change in fund cash balance . . . . .	(362,915)	(2,113,777)	(178,517)	1,935,260
<b>Fund cash balance at beginning of year . . . . .</b>	<u>2,341,411</u>	<u>2,341,411</u>	<u>2,341,411</u>	<u>-</u>
<b>Prior year encumbrances appropriated . . . . .</b>	<u>243,929</u>	<u>243,929</u>	<u>243,929</u>	<u>-</u>
<b>Fund cash balance at end of year. . . . .</b>	<u>\$ 2,222,425</u>	<u>\$ 471,563</u>	<u>\$ 2,406,823</u>	<u>\$ 1,935,260</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, 2009  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Other Enterprise</b>	<b>Total</b>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents. . . . .	\$ 2,396,607	\$ 3,548,360	\$ 295,231	\$ 6,240,198
Total assets . . . . .	2,396,607	3,548,360	295,231	6,240,198
<b>Net cash assets:</b>				
Unrestricted. . . . .	2,396,607	3,548,360	295,231	6,240,198
Total net cash assets. . . . .	\$ 2,396,607	\$ 3,548,360	\$ 295,231	\$ 6,240,198

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, 2009  
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Other Enterprise</b>	<b>Total</b>
<b>Operating cash receipts:</b>				
Charges for services . . . . .	\$ 1,138,069	\$ 1,314,173	\$ 214,676	\$ 2,666,918
Capacity fees . . . . .	127,493	308,859	-	436,352
Other operating cash receipts . . . . .	22,651	2,360	-	25,011
<b>Total operating cash receipts . . . . .</b>	<b>1,288,213</b>	<b>1,625,392</b>	<b>214,676</b>	<b>3,128,281</b>
<b>Operating cash disbursements:</b>				
Personal services . . . . .	328,844	344,449	39,096	712,389
Transportation . . . . .	8,207	7,631	-	15,838
Contractual services . . . . .	177,747	347,149	4,893	529,789
Materials and supplies . . . . .	215,992	39,188	12,700	267,880
Capital outlay . . . . .	40,726	616,992	77,828	735,546
Other . . . . .	50,000	-	830	50,830
<b>Total operating cash disbursements . . . . .</b>	<b>821,516</b>	<b>1,355,409</b>	<b>135,347</b>	<b>2,312,272</b>
Operating cash receipts over operating cash disbursements . . . . .	466,697	269,983	79,329	816,009
<b>Nonoperating cash disbursements:</b>				
Debt service:				
Principal retirement . . . . .	(164,066)	(259,227)	-	(423,293)
Interest and fiscal charges . . . . .	(86,353)	(201,255)	-	(287,608)
<b>Total nonoperating cash disbursements. . . . .</b>	<b>(250,419)</b>	<b>(460,482)</b>	<b>-</b>	<b>(710,901)</b>
Changes in net cash assets. . . . .	216,278	(190,499)	79,329	105,108
<b>Net cash assets at beginning of year . . . . .</b>	<b>2,180,329</b>	<b>3,738,859</b>	<b>215,902</b>	<b>6,135,090</b>
<b>Net cash assets at end of year . . . . .</b>	<b>\$ 2,396,607</b>	<b>\$ 3,548,360</b>	<b>\$ 295,231</b>	<b>\$ 6,240,198</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF FIDUCIARY ASSETS AND NET CASH ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2009  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 132,752
Total assets . . . . .	<u>\$ 132,752</u>
<b>Net cash assets:</b>	
Unrestricted. . . . .	\$ 132,752
Total net cash assets . . . . .	<u>\$ 132,752</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, 2009 (SEE ACCOUNTANT'S COMPILATION REPORT)

#### 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 2009 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, 2009  
(SEE ACCOUNTANT'S COMPILATION REPORT)

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  
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**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

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**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 2009. 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 Cash Equivalents**

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Village's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the 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 2009, the Village invested in State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities and U.S. government money market funds. Investments are reported at cost.

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, 2009.

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 2009 were \$192,546 which includes \$139,747 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  
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**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 2009.

**VILLAGE OF CANAL WINCHESTER, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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  
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**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 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 cash equivalents”.

**B. Deposits with Financial Institutions**

At December 31, 2009, the carrying amount of all Village deposits was \$2,496,225. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2009, \$1,314,162 of the Village’s bank balance of \$2,501,019 was exposed to custodial credit risk as discussed below, while \$1,186,857 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.

**C. Investments**

As of December 31, 2009, 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	\$ 1,553,081	\$ -	\$ -	\$ -	\$ -	\$ 1,553,081
FHLMC	2,503,770	-	-	-	-	2,503,770
FNMA	1,496,720	-	-	-	-	1,496,720
STAR Ohio	161,127	161,127	-	-	-	-
U.S. Government money market	1,537,142	1,537,142	-	-	-	-
Total	<u>\$ 7,251,840</u>	<u>\$ 1,698,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,553,571</u>

The weighted average maturity of investments is 2.52 years.

**VILLAGE OF CANAL WINCHESTER, OHIO**

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**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

*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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 1,553,081	21.42
FHLMC	2,503,770	34.52
FNMA	1,496,720	20.64
STAR Ohio	161,127	2.22
U.S. Government money market	<u>1,537,142</u>	<u>21.20</u>
	<u>\$ 7,251,840</u>	<u>100.00</u>

**VILLAGE OF CANAL WINCHESTER, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 as of December 31, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,496,225
Investments	7,251,840
Cash on hand	150
Total	\$ 9,748,215
<u>Cash and investments per statement of net assets - cash basis</u>	
Governmental activities	\$ 3,375,265
Business-type activities	6,240,198
Agency fund	132,752
Total	\$ 9,748,215

**NOTE 4 - DEBT OBLIGATIONS**

**A. Governmental Activities**

During 2009, the following changes occurred in the governmental activities long-term obligations:

	Interest Rate	Maturity Date	Balance at 12/31/08	Additions	Reductions	Balance at 12/31/09	Amounts Due in One Year
<b>Governmental activities:</b>							
<u>General obligation bonds</u>							
G.O. special assessment bonds, 1994	7.00%	12/01/2014	\$ 170,000	\$ -	\$ (25,000)	\$ 145,000	\$ 25,000
G.O. bonds, series 2004	4.23%	12/01/2024	2,115,000	-	(115,000)	2,000,000	120,000
G.O. various purpose bonds, 2008	3.92%	12/01/2028	5,505,000	-	(370,000)	5,135,000	385,000
Total general obligations bonds			7,790,000	-	(510,000)	7,280,000	530,000
<u>OPWC Loans</u>							
#CC05B - Washington St.	0.00%	7/01/2020	469,400	-	(39,117)	430,283	39,117
#CC02D - North High St.	0.00%	7/01/2023	281,962	-	(18,797)	263,165	18,798
#CC03E - West Waterloo #1	0.00%	1/01/2024	466,276	-	(30,082)	436,194	30,083
#CC04F - West Waterloo #2	0.00%	1/01/2025	837,881	-	(50,781)	787,100	50,781
#CC04K - Columbus St	0.00%	1/1/2029	456,000	-	(22,800)	433,200	22,800
#CC06L - Thrush Drive	0.00%	1/1/2034	-	235,516	-	235,516	4,907
Total OPWC loans			2,511,519	235,516	(161,577)	2,585,458	166,486
Total governmental activities long-term obligations			\$ 10,301,519	\$ 235,516	\$ (671,577)	\$ 9,865,458	\$ 696,486

**VILLAGE OF CANAL WINCHESTER, OHIO**

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**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, 2024.

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
2010	\$ 530,000	\$ 268,168	\$ 798,168
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
2015-2019	2,450,000	959,368	3,409,368
2020-2024	1,490,000	337,800	1,827,800
2025-2028	605,000	69,525	674,525
Total	<u>\$ 7,280,000</u>	<u>\$ 2,531,592</u>	<u>\$ 9,811,592</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.

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

**VILLAGE OF CANAL WINCHESTER, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEBT OBLIGATIONS - (Continued)**

Year Ended December 31,	OPWC Loans Payable		
	Principal	Interest	Total
2010	\$ 166,486	\$ -	\$ 166,486
2011	171,390	-	171,390
2012	171,390	-	171,390
2013	171,390	-	171,390
2014	171,390	-	171,390
2015-2019	856,951	-	856,951
2020-2024	666,646	-	666,646
2025-2029	165,656	-	165,656
2030-2034	44,159	-	44,159
Total	<u>\$ 2,585,458</u>	<u>\$ -</u>	<u>\$ 2,585,458</u>

**B. Business-Type Activities**

The December 31, 2008 long-term obligations balance of the business-type activities has been restated by \$147,399 to properly state the beginning balances of the Ohio Water Development Authority (OWDA) loans. During 2009, the following changes occurred in the business-type long-term obligations:

	Interest Rate	Maturity Date	Balance 12/31/08	Additions	Reductions	Balance 12/31/09	Amounts Due in One Year
<b>Revenue bonds</b>							
Sewer mortgage revenue bonds	4.31%	12/01/2024	\$ 4,800,000	\$ -	\$ (230,000)	\$ 4,570,000	\$ 235,000
Total revenue bonds			<u>4,800,000</u>	<u>-</u>	<u>(230,000)</u>	<u>4,570,000</u>	<u>235,000</u>
<b>OPWC Loans</b>							
#CT212 - Hocking St.	0.00%	1/01/2012	15,608	-	(4,460)	11,148	4,460
#CC808 - Columbus & Washington	3.00%	1/01/2016	42,251	-	(5,103)	37,148	5,258
#CC01C - Sanitary sewer rehab	3.00%	1/01/2024	<u>176,256</u>	<u>-</u>	<u>(9,083)</u>	<u>167,173</u>	<u>9,357</u>
Total OPWC loans			<u>234,115</u>	<u>-</u>	<u>(18,646)</u>	<u>215,469</u>	<u>19,075</u>
<b>OWDA Loans</b>							
#3081 - Elevated storage tank construction	6.02%	7/01/2014	227,201	-	(20,144)	207,057	41,501
#1502 - Water improvements	8.26%	1/01/2014	793,250	-	(67,258)	725,992	140,071
#4523 - Water treatment plant construction	2.75%	7/01/2027	3,375,697	-	(70,599)	3,305,098	144,124
#4672 - Well field & raw water line	2.75%	7/01/2027	<u>795,966</u>	<u>-</u>	<u>(16,646)</u>	<u>779,320</u>	<u>33,983</u>
Total OWDA loans			<u>5,192,114</u>	<u>-</u>	<u>(174,647)</u>	<u>5,017,467</u>	<u>359,679</u>
Total business-type activities			<u>\$ 10,226,229</u>	<u>\$ -</u>	<u>\$ (423,293)</u>	<u>\$ 9,802,936</u>	<u>\$ 613,754</u>

**VILLAGE OF CANAL WINCHESTER, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 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
2010	\$ 235,000	\$ 184,740	\$ 419,740
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
2015-2019	1,490,000	602,902	2,092,902
2020-2024	1,835,000	255,151	2,090,151
Total	<u>\$ 4,570,000</u>	<u>\$ 1,704,100</u>	<u>\$ 6,274,100</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 \$6,274,100. Principal and interest paid for the current year and total customer net revenues were \$419,196 and \$294,672, respectively.

OPWC Loans - OPWC 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
2010	\$ 19,075	\$ 6,021	\$ 25,096
2011	19,516	5,579	25,096
2012	17,742	5,124	22,866
2013	15,981	4,655	20,636
2014	16,464	4,172	20,636
2015-2019	66,902	14,111	81,013
2020-2024	59,790	4,573	64,363
Total	<u>\$ 215,469</u>	<u>\$ 44,235</u>	<u>\$ 259,704</u>

**VILLAGE OF CANAL WINCHESTER, OHIO**

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**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, 2009, the Village has outstanding borrowings of \$5,017,467. 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:

Year Ended December 31,	OWDA Loans Payable		
	Principal	Interest	Total
2010	\$ 359,679	\$ 183,537	\$ 543,217
2011	378,679	164,537	543,217
2012	398,922	144,295	543,217
2013	420,499	122,718	543,217
2014	316,507	99,708	416,215
2015-2019	1,078,966	367,097	1,446,063
2020-2024	1,236,848	209,215	1,446,063
2025-2027	827,367	40,270	867,637
Total	<u>\$ 5,017,467</u>	<u>\$ 1,331,377</u>	<u>\$ 6,348,844</u>

**NOTE 5 - SHORT-TERM NOTES PAYABLE**

A summary of the short-term notes payable transactions for 2009 follows:

	Issue Date	Maturity Date	Balance 12/31/08	Increase	Decrease	Balance 12/31/09
Roadway Improvement Notes, Series 2009	5/14/09	5/13/10	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000

The Village issued \$2,000,000 in roadway improvement notes on May 14, 2009. The notes bear an interest rate of 2.00% and mature on May 13, 2010. The notes were issued for the purpose of constructing, resurfacing, widening and improving Rutherford Drive, Robinett Way and Eichorn Street.

**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.

**VILLAGE OF CANAL WINCHESTER, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAX - (Continued)**

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. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

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 by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2009-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Village 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 2009 property tax receipts were based are as follows:

	2009	2008
Real property tax	\$ 221,873,300	\$ 207,635,480
Public utility tangible personal property	2,294,280	2,287,720
Tangible personal property	200,433	6,727,885
 Total assessed valuation	 \$ 224,368,013	 \$ 216,651,085

**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 \$3,432,212 in 2009 in income tax receipts which are receipted directly into the general fund.

**VILLAGE OF CANAL WINCHESTER, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
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**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 2009, 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 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The Village's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 17.40% of covered payroll. For 2009, a portion equal to 5.50% of covered payroll was allocated to fund the post-employment health care plan.

The Village's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.40% from January 1 through March 31, 2009 and 11.90% from April 1 through December 31, 2009. The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$135,331, \$112,625 and \$125,297, respectively; 58.04% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

**VILLAGE OF CANAL WINCHESTER, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
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**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 not does 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 2009, local government employers contributed 14.00% of covered payroll (17.40% 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 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

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, 2009, 2008, and 2007 were \$97,855, \$112,625 and \$82,531, respectively; 36.61% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

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

**VILLAGE OF CANAL WINCHESTER, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - RISK MANAGEMENT**

The Village is founding member of the Central Ohio Health Care 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**

**Litigation**

Ohio Citizen Action v. Village of Canal Winchester  
Case No. 09 CV 331  
United States District Court for the Southern District of Ohio, Eastern Division

This is an action for declaratory relief, preliminary and permanent injunctive relief, and damages. Plaintiff Ohio Citizen Action seeks a declaration that the Village’s new ordinance regulating canvassing activities in unconstitutional under the First and Fourth Amendments. The complaint was filed April 27, 2009. the complaint does not request a specific amount of damages. Instead, the complaint merely prays for the Court to award Ohio Citizen Action the costs and reasonable attorney fees it incurs. At this time, the attorney believes the likelihood of a favorable outcome is very good. The Village’s municipal insurance provider has assigned insurance defense counsel to represent the Village.

The Village and its insurance carrier reached settlement with the plaintiff and the case was dismissed on November 3, 2009.

**NOTE 12 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended December 31, 2009, consisted of the following, as reported in the fund financial statements:

<u>Transfer to</u>	<u>Transfer From</u>
	<u>General</u>
Debt service fund	\$ 955,900
Nonmajor governmental funds	<u>642,488</u>
Total	<u>\$ 1,598,388</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 5705.15.

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