

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

Financial Statements
(Audited)

For The Year Ended
December 31, 2004

NANISA OSBORN, FINANCE DIRECTOR



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
Village of Canal Winchester
36 S High Street
Canal Winchester, Ohio 43110

We have reviewed the Independent Auditor's Report of the Village of Canal Winchester, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2004 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 4, 2005

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

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Accountants' Report

Members of Council and Mayor
Village of Canal Winchester
36 S. High Street
Canal Winchester, Ohio 43110

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Canal Winchester, Franklin County, Ohio, (the "Village"), as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Canal Winchester, Franklin County, Ohio, as of December 31, 2004, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, thereof and for the year then ended in conformity with the basis of accounting as described in Note 2.

Independent Accountants' Report
Village of Canal Winchester
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Trimble, Julian, & Grube, Inc.

Trimble, Julian & Grube, Inc.
May 17, 2005

VILLAGE OF CANAL WINCHESTER, OHIO

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

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, 2004, 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 2004 are as follows:

- The total net cash assets of the Village increased \$739,363. Net cash assets of governmental activities decreased \$125,783, which represents a 16.21% decrease over fiscal year 2003. Net cash assets of business-type activities increased \$865,146 or 37.92% from fiscal year 2003.
- General cash receipts accounted for \$8,819,128 or 66.88% of total governmental activities cash receipts. Program specific cash receipts accounted for \$3,984,687 or 31.12% of total governmental activities cash receipts.
- The Village had \$12,929,598 in cash disbursements related to governmental activities; \$3,984,687 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and bond and note proceeds) of \$8,819,128 were not 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 of \$5,408,524 in 2004. The cash disbursements and other financing uses of the general fund, totaled \$5,637,952 in 2004. The general fund's cash balance decreased \$229,428 from 2003 to 2004.
- The debt service fund, a Village major fund, had other financing sources of \$5,581,200 in 2004. The debt service fund had cash disbursements of \$5,585,344 in 2004. The debt service fund cash balance decreased \$4,144 from 2003 to 2004.
- Net cash assets for the Water enterprise fund increased in 2004 by \$438,048 or 83.87%. The net cash assets for the Sewer enterprise fund increased in 2004 by \$377,093 or 21.44%.

Using this Basic Financial Statements (BFS)

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

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Village, presenting both 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, 2004 UNAUDITED

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 2004?” These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

In the Statement of Net Assets – Cash Basis and 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, OWDA 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 Debt Service Fund. The analysis of the Village's major governmental funds begins on page 10.

VILLAGE OF CANAL WINCHESTER, OHIO

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

Governmental Funds

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

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

Proprietary Funds

The Village maintains one type of proprietary fund. Enterprise funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Village as a whole. The Village uses enterprise funds to account for its water, sewer, OWDA 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 is an agency fund. Only the cash held at year end for the agency funds are 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 22-36 of this report.

VILLAGE OF CANAL WINCHESTER, OHIO

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

Government-Wide Financial Analysis

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the Village as a whole.

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

	Net Cash Assets		
	Governmental Activities 2004	Business-type Activities 2004	Total
<u>Assets</u>			
Equity in pooled cash and cash equivalents	\$ 650,005	\$ 3,146,518	\$ 3,796,523
Total assets	<u>650,005</u>	<u>3,146,518</u>	<u>3,796,523</u>
<u>Net Assets</u>			
Restricted	3,885	-	3,885
Unrestricted	<u>646,120</u>	<u>3,146,518</u>	<u>3,792,638</u>
Total net assets	<u>\$ 650,005</u>	<u>\$ 3,146,518</u>	<u>\$ 3,796,523</u>

The total net cash assets of the Village increased \$739,363. Net cash assets of governmental activities decreased \$125,783, which represents a 16.21% decrease over fiscal year 2003. Net cash assets of business-type activities increased \$865,146 or 37.92% from fiscal year 2003.

The balance of government-wide unrestricted net cash assets of \$3,792,638 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal year 2004. Since this is the first year the Village has prepared cash basis financial statements following GASB 34, cash receipt and cash disbursement comparisons to fiscal year 2003 have not been compiled. In future years, when prior year information has been compiled, a comparative analysis of governmental data will be presented.

VILLAGE OF CANAL WINCHESTER, OHIO

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

	Change in Net Cash Assets		
	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	<u>Total</u>
Cash Receipts:			
Program cash receipts:			
Charges for services and sales	\$ 1,749,168	\$ 3,977,969	\$ 5,727,137
Operating grants and contributions	419,357	-	419,357
Capital grants and contributions	<u>1,816,162</u>	<u>-</u>	<u>1,816,162</u>
Total program cash receipts	<u>3,984,687</u>	<u>3,977,969</u>	<u>7,962,656</u>
General cash receipts:			
Property and other taxes	385,136	-	385,136
Income tax	2,982,128	-	2,982,128
Unrestricted grants	269,171	-	269,171
Sale of notes	2,550,000	-	2,550,000
Sale of bonds	2,550,000	5,650,000	8,200,000
Investment earnings	61,327	-	61,327
Other	<u>21,366</u>	<u>-</u>	<u>21,366</u>
Total general cash receipts	<u>8,819,128</u>	<u>5,650,000</u>	<u>14,469,128</u>
Cash Disbursements:			
Current:			
Security of persons and property	742,025	-	742,025
Public health services	31,096	-	31,096
Leisure time activities	321,394	-	321,394
Community environment	503,501	-	503,501
Transportation	1,674,997	-	1,674,997
General government	3,384,312	-	3,384,312
Capital outlay	659,429	-	659,429
Debt service:			
Principal retirement	5,386,498	-	5,386,498
Interest and fiscal charges	226,346	-	226,346
Water	-	945,483	945,483
Sewer	-	7,750,175	7,750,175
Other enterprise funds	<u>-</u>	<u>67,165</u>	<u>67,165</u>
Total cash disbursements	<u>12,929,598</u>	<u>8,762,823</u>	<u>21,692,421</u>
Change in net cash assets	(125,783)	865,146	739,363
Net cash assets at beginning of year	<u>775,788</u>	<u>2,281,372</u>	<u>3,057,160</u>
Net cash assets at end of year	<u>\$ 650,005</u>	<u>\$ 3,146,518</u>	<u>\$ 3,796,523</u>

VILLAGE OF CANAL WINCHESTER, OHIO

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

Governmental Activities

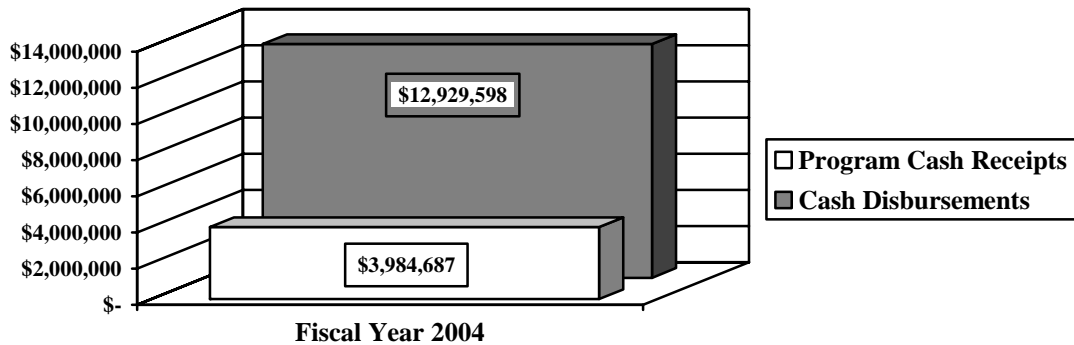
Governmental cash assets decreased by \$125,783 in 2004 from 2003.

General government represents activities related to the governing body as well as activities that directly support Village programs. In 2004, general government cash disbursements totaled \$3,384,312, or 26.17% of total governmental cash disbursements. General government programs were supported by \$479,801 in direct charges to users for services.

The Village program, transportation, accounted for \$1,674,997 or 12.95% 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 2004. 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

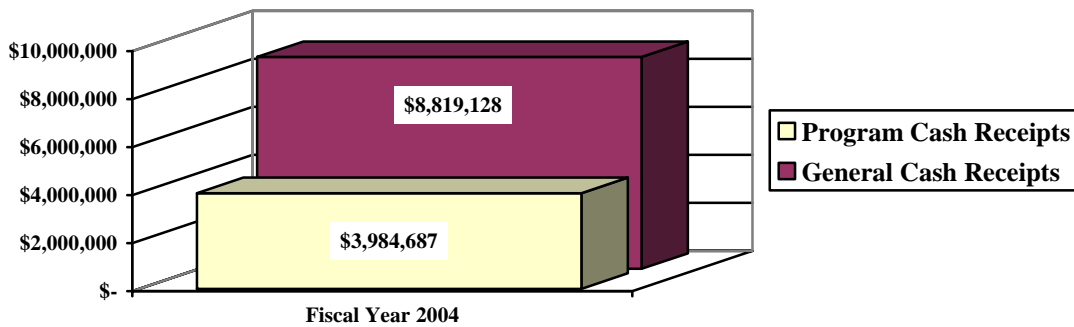
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Governmental Activities

	Governmental Activities	
	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Cash disbursements:		
Current:		
Security of persons and property	\$ 742,025	\$ 614,636
Public health services	31,096	31,096
Leisure time activities	321,394	209,802
Community environment	503,501	(446,369)
Transportation	1,674,997	(580,436)
General government	3,384,312	2,904,511
Capital outlay	659,429	598,827
Debt service:		
Principal retirement	5,386,498	5,386,498
Interest and fiscal charges	<u>226,346</u>	<u>226,346</u>
Total	<u>\$ 12,929,598</u>	<u>\$ 8,944,911</u>

The dependence upon general cash receipts for governmental activities is apparent; with 68.2% of cash disbursements supported through taxes and other general cash receipts during 2004.

Governmental Activities - General and Program Cash Receipts



Business-Type Activities

The Water and Sewer funds are the Village's two major enterprise funds. These programs had cash receipts of \$3,971,969, cash disbursements of \$8,695,658 and transfers out of \$111,170 for fiscal year 2004. The net cash assets of the programs increased \$815,141 from 2003. During 2004, the Sewer fund received proceeds of \$5,650,000 from bonds.

VILLAGE OF CANAL WINCHESTER, OHIO

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

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 \$650,005, which is \$125,783 below last year's total of \$775,788. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2004 and December 31, 2003, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2004</u>	<u>Fund Cash Balance</u> <u>December 31, 2003</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 371,770	\$ 601,198	\$ (229,428)
Debt Service	(4,144)	-	(4,144)
Other Nonmajor Governmental Funds	<u>282,379</u>	<u>174,590</u>	<u>107,789</u>
Total	<u>\$ 650,005</u>	<u>\$ 775,788</u>	<u>\$ (125,783)</u>

General Fund

The general fund, the Village's largest major fund, had cash receipts of \$5,408,524 in 2004. The cash disbursements and other financing uses of the general fund, totaled \$5,637,952 in 2004. The general fund's cash balance decreased \$229,428 from 2003 to 2004.

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

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 3,322,124	\$ 3,218,229	3.23 %
Intergovernmental	269,171	524,269	(48.66) %
Special assessments	79,067	-	100.00 %
Charges for services	1,144,985	1,634,616	(29.95) %
Fines, licenses and permits	514,160	537,177	(4.28) %
Investment income	57,651	25,209	128.69 %
Other	<u>21,366</u>	<u>149,717</u>	(85.73) %
Total	<u>\$ 5,408,524</u>	<u>\$ 6,089,217</u>	(11.18) %

Investment income cash receipts increased due to higher interest earning investments and due to the timing of the maturity of certain certificates of deposit. Intergovernmental revenue decreased due to money that was received from Franklin County in 2003 that was not received in 2004. All other revenue remained comparable to 2003.

VILLAGE OF CANAL WINCHESTER, OHIO

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

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

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
Security of persons and property	\$ 742,025	\$ 1,037,446	(28.48) %
Public health service	31,096	11,239	176.68 %
Leisure time activity	151,171	154,688	(2.27) %
Community environment	503,501	1,542,078	(67.35) %
Basic utility service	-	200,000	(100.00) %
Transportation	1,192,231	218,164	446.48 %
General government	1,565,968	1,668,340	(6.14) %
Capital outlay	579,460	455,544	27.20 %
Debt service	<u>27,500</u>	<u>-</u>	100.00 %
Total	<u>\$ 4,792,952</u>	<u>\$ 5,287,499</u>	(9.35) %

Basic utility services were classified as a component of Transportation in 2004. All variances were primarily due to differences in the way that transactions were classified in 2004 versus 2003. Overall, cash disbursements decreased \$494,547 from 2003. The overall decrease is a directly related to the overall decrease in revenue received by the general fund during 2004.

Debt Service Fund

The debt service fund, a Village major fund, had other financing sources of \$5,581,200 in 2004. The debt service fund had cash disbursements of \$5,585,344 in 2004. The debt service fund cash balance decreased \$4,144 from 2003 to 2004.

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 budget basis receipts were \$431,257 above original budget estimates of \$5,101,297. Actual cash receipts of \$5,408,524 were less than final budget estimates by \$124,030. The final budgetary basis disbursements and other financing uses of \$6,105,046 were \$1,027,079 above original budget estimates. The actual budgetary basis disbursements and other financing uses of \$5,637,952 were \$467,094 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The Village had capital outlay disbursements of \$659,429 during fiscal year 2004.

VILLAGE OF CANAL WINCHESTER, OHIO

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

Debt Administration

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

	Governmental Activities <u>2004</u>	(Restated) Governmental Activities <u>2003</u>
G.O. Bonds	\$ 6,675,000	\$ 4,340,000
Bond anticipation notes	-	2,550,000
Promissory note	26,500	54,000
OPWC loans	<u>2,585,235</u>	<u>2,629,233</u>
Total long-term obligations	<u>\$ 9,286,735</u>	<u>\$ 9,573,233</u>
		(Restated)
	Business-Type Activities <u>2004</u>	Business-Type Activities <u>2003</u>
Mortgage revenue bonds	\$ 5,650,000	\$ 5,938,000
OPWC loans	304,658	313,045
OWDA loans	<u>1,823,311</u>	<u>1,995,179</u>
Total long-term obligations	<u>\$ 7,777,969</u>	<u>\$ 8,246,224</u>

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for fiscal year 2005:

The Village is located in the vicinity of the City of Columbus, which has an unemployment rate currently of 5.8%, compared to the 5.9% state average and the 5.4% national average.

State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds may be cut by 10% in the next biennial State budget. These funds represented 7% of the village's general fund revenue in 2004. Sales and property tax revenues are expected to remain consistent as well as expenditures.

These economic factors were considered in preparing the Village's budget for fiscal year 2005. Budgeted revenues and other financing sources in the general fund for fiscal year 2005 are \$5,244,030. 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 BASIS
FINANCIAL STATEMENTS**

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VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2004

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 650,005	\$ 3,146,518	\$ 3,796,523
Total assets.	650,005	3,146,518	3,796,523
Net assets:			
Restricted for:			
Capital projects	3,885	-	3,885
Unrestricted	646,120	3,146,518	3,792,638
Total net assets	\$ 650,005	\$ 3,146,518	\$ 3,796,523

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Current:				
Security of persons and property	\$ 742,025	\$ 127,389	\$ -	\$ -
Public health services	31,096	-	-	-
Leisure time activities	321,394	111,592	-	-
Community environment	503,501	949,870	-	-
Transportation	1,674,997	79,067	360,204	1,816,162
General government	3,384,312	479,801	-	-
Capital outlay	659,429	1,449	59,153	-
Debt service:				
Principal retirement	5,386,498	-	-	-
Interest and fiscal charges	226,346	-	-	-
Total governmental activities	<u>12,929,598</u>	<u>1,749,168</u>	<u>419,357</u>	<u>1,816,162</u>
Business-Type activities:				
Water	945,483	1,383,531	-	-
Sewer	7,750,175	2,588,438	-	-
Other enterprise funds:				
OWDA	67,165	-	-	-
Storm Water	-	6,000	-	-
Total business-type activities	<u>8,762,823</u>	<u>3,977,969</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 21,692,421</u>	<u>\$ 5,727,137</u>	<u>\$ 419,357</u>	<u>\$ 1,816,162</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 notes
Sale of bonds
Investment receipts
Miscellaneous
Total general cash receipts
Change in net cash assets
Net cash assets at beginning of year
Net cash assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (614,636)	\$ -	\$ (614,636)
(31,096)	-	(31,096)
(209,802)	-	(209,802)
446,369	-	446,369
580,436	-	580,436
(2,904,511)	-	(2,904,511)
(598,827)	-	(598,827)
(5,386,498)	-	(5,386,498)
(226,346)	-	(226,346)
<u>(8,944,911)</u>	<u>-</u>	<u>(8,944,911)</u>
-	438,048	438,048
-	(5,161,737)	(5,161,737)
-	(67,165)	(67,165)
-	6,000	6,000
<u>-</u>	<u>(4,784,854)</u>	<u>(4,784,854)</u>
<u>(8,944,911)</u>	<u>(4,784,854)</u>	<u>(13,729,765)</u>
339,995	-	339,995
45,141	-	45,141
2,982,128	-	2,982,128
269,171	-	269,171
2,550,000	-	2,550,000
2,550,000	5,650,000	8,200,000
61,327	-	61,327
21,366	-	21,366
<u>8,819,128</u>	<u>5,650,000</u>	<u>14,469,128</u>
(125,783)	865,146	739,363
<u>775,788</u>	<u>2,281,372</u>	<u>3,057,160</u>
<u>\$ 650,005</u>	<u>\$ 3,146,518</u>	<u>\$ 3,796,523</u>

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Cash assets:				
Equity in pooled cash and cash equivalents	\$ 371,770	\$ (4,144)	\$ 282,379	\$ 650,005
Total assets	\$ 371,770	\$ (4,144)	\$ 282,379	\$ 650,005
Fund cash balances:				
Unreserved, undesignated (deficit), reported in:				
General fund.	\$ 371,770	\$ -	\$ -	\$ 371,770
Special revenue funds	-	-	278,494	278,494
Debt service funds.	-	(4,144)	-	(4,144)
Capital projects funds	-	-	3,885	3,885
Total fund cash balances	\$ 371,770	\$ (4,144)	\$ 282,379	\$ 650,005

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
Taxes	\$ 3,322,124	\$ -	\$ 45,141	\$ 3,367,265
Intergovernmental	269,171	-	2,215,519	2,484,690
Special assessments	79,067	-	4,205	83,272
Charges for services	1,144,985	-	-	1,144,985
Fines, licenses and permits.	514,160	-	6,750	520,910
Interest.	57,651	-	3,676	61,327
Contributions and donations	-	-	20,000	20,000
Other.	21,366	-	-	21,366
Total cash receipts	<u>5,408,524</u>	<u>-</u>	<u>2,295,291</u>	<u>7,703,815</u>
Cash disbursements:				
Current:				
Security of persons and property	742,025	-	-	742,025
Public health services	31,096	-	-	31,096
Leisure time activities	151,171	-	170,223	321,394
Community environment.	503,501	-	-	503,501
Transportation	1,192,231	-	482,766	1,674,997
General government	1,565,968	-	1,818,344	3,384,312
Capital outlay	579,460	-	79,969	659,429
Debt service:				
Principal retirement	27,500	5,358,998	-	5,386,498
Interest and fiscal charges	-	226,346	-	226,346
Total cash disbursements	<u>4,792,952</u>	<u>5,585,344</u>	<u>2,551,302</u>	<u>12,929,598</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>615,572</u>	<u>(5,585,344)</u>	<u>(256,011)</u>	<u>(5,225,783)</u>
Other financing sources (uses):				
Sale of bonds	-	2,550,000	-	2,550,000
Sale of notes	-	2,550,000	-	2,550,000
Transfers in.	-	481,200	363,800	845,000
Transfers out	(845,000)	-	-	(845,000)
Total other financing sources (uses).	<u>(845,000)</u>	<u>5,581,200</u>	<u>363,800</u>	<u>5,100,000</u>
Net change in fund cash balances	(229,428)	(4,144)	107,789	(125,783)
Cash basis fund balances at beginning of year	<u>601,198</u>	<u>-</u>	<u>174,590</u>	<u>775,788</u>
Cash basis fund balances (deficit) at end of year	<u>\$ 371,770</u>	<u>\$ (4,144)</u>	<u>\$ 282,379</u>	<u>\$ 650,005</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
 BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 3,133,413	\$ 3,398,308	\$ 3,322,124	\$ (76,184)
Intergovernmental	253,881	275,344	269,171	(6,173)
Special assessments	-	-	79,067	79,067
Charges for services	184,032	199,589	1,144,985	945,396
Fines, licenses and permits	559,529	606,831	514,160	(92,671)
Interest	54,376	58,973	57,651	(1,322)
Other	916,066	993,509	21,366	(972,143)
Total budgetary basis receipts	<u>5,101,297</u>	<u>5,532,554</u>	<u>5,408,524</u>	<u>(124,030)</u>
Budgetary basis disbursements:				
Current:				
Security of persons and property	752,315	757,315	742,025	15,290
Public health services	15,000	31,296	31,096	200
Leisure time activities	718,193	157,633	151,171	6,462
Community environment	576,229	586,229	503,501	82,728
Transportation	538,600	1,515,483	1,192,231	323,252
General government	1,630,630	1,632,630	1,565,968	66,662
Capital outlay	2,000	579,460	579,460	-
Debt service:				
Principal retirement	-	-	27,500	(27,500)
Total budgetary basis disbursements	<u>4,232,967</u>	<u>5,260,046</u>	<u>4,792,952</u>	<u>467,094</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>868,330</u>	<u>272,508</u>	<u>615,572</u>	<u>343,064</u>
Other financing uses:				
Transfers out	<u>(845,000)</u>	<u>(845,000)</u>	<u>(845,000)</u>	<u>-</u>
Total other financing uses	<u>(845,000)</u>	<u>(845,000)</u>	<u>(845,000)</u>	<u>-</u>
Net change in fund cash balance	23,330	(572,492)	(229,428)	343,064
Cash basis fund balance at beginning of year	<u>601,198</u>	<u>601,198</u>	<u>601,198</u>	<u>-</u>
Cash basis fund balance at end of year	<u>\$ 624,528</u>	<u>\$ 28,706</u>	<u>\$ 371,770</u>	<u>\$ 343,064</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, 2004

	Business-type Activities - Enterprise Funds			Total
	Water	Sewer	Other Enterprise	
Cash assets:				
Current assets:				
Equity in pooled cash and cash equivalents.	\$ 960,353	\$ 2,136,160	\$ 50,005	\$ 3,146,518
Total assets	<u>960,353</u>	<u>2,136,160</u>	<u>50,005</u>	<u>3,146,518</u>
Net cash assets:				
Unrestricted.	<u>960,353</u>	<u>2,136,160</u>	<u>50,005</u>	<u>3,146,518</u>
Total net cash assets.	<u>\$ 960,353</u>	<u>\$ 2,136,160</u>	<u>\$ 50,005</u>	<u>\$ 3,146,518</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Other Enterprise	Total
Operating cash receipts:				
Charges for services	\$ 946,326	\$ 926,936	\$ 6,000	\$ 1,879,262
Capacity fees	413,325	1,661,502	-	2,074,827
Total operating cash receipts	1,359,651	2,588,438	6,000	3,954,089
Operating cash disbursements:				
Personal services	312,887	252,127	-	565,014
Transportation	8,949	7,443	-	16,392
Contractual services	173,727	340,558	-	514,285
Materials and supplies	223,486	46,965	-	270,451
Capital outlay	37,716	177,420	-	215,136
Total operating cash disbursements	756,765	824,513	-	1,581,278
Operating cash receipts over operating cash disbursements	602,886	1,763,925	6,000	2,372,811
Nonoperating cash receipts (disbursements):				
Rent	23,880	-	-	23,880
Sale of bonds	-	5,650,000	-	5,650,000
Debt Service:				
Principal	(94,899)	(5,982,649)	(40,707)	(6,118,255)
Interest and other fiscal charges	(93,819)	(521,633)	(26,458)	(641,910)
Payment to bond escrow	-	(421,380)	-	(421,380)
Transfers in	-	-	111,170	111,170
Transfers out	-	(111,170)	-	(111,170)
Total nonoperating cash receipts (disbursements). . .	(164,838)	(1,386,832)	44,005	(1,507,665)
Changes in net cash assets.	438,048	377,093	50,005	865,146
Net cash assets at beginning of year	522,305	1,759,067	-	2,281,372
Net cash assets at end of year	\$ 960,353	\$ 2,136,160	\$ 50,005	\$ 3,146,518

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF FIDUCIARY CASH BASIS ASSETS AND NET CASH ASSETS
FIDUCIARY FUND
DECEMBER 31, 2004

	<u>Agency</u>
Cash assets:	
Equity in pooled cash and cash equivalents	\$ 385
Total assets	<u>\$ 385</u>
Net cash assets:	
Unrestricted.	\$ 385
Total net cash assets	<u>\$ 385</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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VILLAGE OF CANAL WINCHESTER

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

NOTE 1 - DESCRIPTION OF THE ENTITY

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.

The Canal Winchester Industry and Commerce Corporation (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 2004 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, (GAAP), the Village chooses to prepare its financial statements and notes on the basis of cash receipts and disbursements. The cash receipts and disbursements basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

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

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. Fund accounting is a concept development 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.

VILLAGE OF CANAL WINCHESTER

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

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

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.

Debt Service Fund - This fund accounts for the issuance and retirement of debt.

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

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

Water Fund - This fund accounts for the provision of water treatment and distribution to 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.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village's only fiduciary fund is an agency fund which accounts for the Village's Mayor's Court.

C. Basis of Presentation and Measurement Focus

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.

VILLAGE OF CANAL WINCHESTER

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

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

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.

D. 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 estimate 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 expressed 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 find 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 final estimated resources as certified by the County Budget Commission.

VILLAGE OF CANAL WINCHESTER

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

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

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 2004. The budgetary statement reflects the 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.

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. The Village had no outstanding encumbrances at December 31, 2004.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Village's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. During 2004, the Village had no investments. Interest earnings are allocated as authorized by State statute.

F. Capital Assets

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

G. Unpaid Vacation and Sick Leave

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

H. 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.

I. Net Assets

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

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

VILLAGE OF CANAL WINCHESTER

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

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

J. 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.

NOTE 3 - COMPLIANCE

- A. The following fund had appropriations in excess of estimated resources for the year ended December 31, 2004, contrary to Ohio Revised Code Section 5705.39:

<u>Fund Type</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Debt Service	\$ 5,662,797	\$ 5,710,797	\$ 48,000

The Village's Finance Director will monitor appropriations and estimated resources throughout the year to ensure compliance.

- B. The Village also did not properly encumber all commitments as required by Ohio Revised Code Section 5705.41(D). The Village Finance Director will monitor transactions throughout the year to ensure commitments have been properly certified.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2004</u>
Deposits: Demand Deposits	\$ 707,554
STAR Ohio	<u>3,089,354</u>
Total cash and cash equivalents	<u>\$ 3,796,908</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments include treasury bonds and notes, certificates of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are not endorsed by securities that exist in physical or book-entry form. Investments in STAR Ohio are valued at amounts reported by the State Treasurer.

VILLAGE OF CANAL WINCHESTER

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

NOTE 5 - DEBT OBLIGATIONS

At December 31, 2004, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at</u>
<u>General Fund:</u>	<u>12/31/2004</u>
2003 Promissory Note bearing 0% interest due in annual installments through 2005.	\$ 26,500
<u>Debt Service Fund:</u>	
2004 Wastewater General Obligation bonds for rebuilding, surfacing and paving Walnut Street and Gender Road and various water and sewer improvements, bearing interest of various rates and due in full in December 2014.	2,550,000
1999 Various Purpose Bonds, due in annual installments of varying amounts, bearing interest at varying amounts through 2019.	3,310,000
1994 Water and Sewer System Improvement Bonds for various utility improvements, due in annual principal installments and semi-annual interest rates of varying installments, bearing interest at varying amounts through 2014.	245,000
1993 General Obligation bonds for the Ohio Water and Sewer System Improvement Bond Series 1993, due in annual installments of varying installments, bearing interest at varying amounts through 2013.	570,000
2001 Ohio Public Works Commision (OPWC) loan for Washington Street Rehabilitation, due in semi-annual installments bearing 0% interest, through 2020.	625,868
2002 Ohio Public Works loan for North High Street Rehabilitation due in semi-annual installments bearing 0% interest through 2023.	357,150
2002 Ohio Public Works loan bearing 0% interest through 2022.	1,015,613
2003 Ohio Public Works loan for West Waterloo Street improvement, due in semi-annual installments bearing 0% interest thorough 2024.	586,604

VILLAGE OF CANAL WINCHESTER

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

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Enterprise Fund:

2004 Sewer System Adjustable Rate First Mortgage Revenue Bonds 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.	\$ 5,650,000
1999 Ohio Public Works loan for Sanitary Sewer Rehab, due in semi-annual installments bearing interest at 3% through 2024.	210,000
1996 OPWC loan for Columbus Washington water line, due in semi-annual installments bearing interest at 3% through 2016.	61,210
1994 Ohio Water Development Authority (OWDA) loan for Elevated Water Storage tank construction, due in semi-annual installments bearing interest at 6.02% through 2014.	366,744
1992 OPWC loan for Hocking Street Waterline, due in semi-annual installments bearing no interest through 2012.	33,448
1989 OWDA loan for Waterline construction, due in semi-annual insallments bearing interest at 8.26% through 2014.	1,236,215
1989 OWDA loan for Sewer line construction, due in semi-annual installments bearing interest at 7.36% through 2008.	<u>220,352</u>
Total debt obligations	<u>\$ 17,064,704</u>

VILLAGE OF CANAL WINCHESTER

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

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Transactions for the year ended December 31, 2004, are summarized as follows:

	Fund Type	Restated			Balance 12/31/2004	Amounts Due in One Year
		Balance 12/31/2003	Proceeds	Payments		
2003 Promissory Note	General	\$ 54,000	\$ -	\$ (27,500)	\$ 26,500	\$ 26,500
2004 Wastewater BANS	Debt	-	2,550,000	(2,550,000)	-	-
2004 Wastewater G.O. Bonds	Debt	-	2,550,000	-	2,550,000	100,000
2003 Street Improvement BANS	Debt	500,000	-	(500,000)	-	-
2003 Various Purpose BANS	Debt	750,000	-	(750,000)	-	-
2002 Water Tank BANS	Debt	1,300,000	-	(1,300,000)	-	-
1999 Various Purpose Bonds	Debt	3,460,000	-	(150,000)	3,310,000	155,000
GO Bonds 1994	Debt	260,000	-	(15,000)	245,000	15,000
GO Bonds 1993	Debt	620,000	-	(50,000)	570,000	55,000
OPWC #CC05B	Debt	645,426	-	(19,558)	625,868	39,117
OPWC #CC02D	Debt	366,549	-	(9,399)	357,150	18,797
OPWC #CC03E	Debt	601,645	-	(15,041)	586,604	30,082
OPWC #CC04F	Debt	1,015,613	-	-	1,015,613	50,781
Total Debt Service Fund		<u>9,519,233</u>	<u>5,100,000</u>	<u>(5,358,998)</u>	<u>9,260,235</u>	<u>463,777</u>
Sewer System Revenue Bonds	Enterprise	5,938,000	-	(5,938,000)	-	-
2004 Mortgage Revenue Bonds	Enterprise	-	5,650,000	-	5,650,000	205,000
OPWC CT212	Enterprise	35,678	-	(2,230)	33,448	4,460
OPWC CC808	Enterprise	63,425	-	(2,215)	61,210	4,530
OPWC #CC01C	Enterprise	213,942	-	(3,942)	210,000	8,063
OWDA - #3081	Enterprise	396,820	-	(30,076)	366,744	30,983
OWDA - # 1502	Enterprise	1,326,669	-	(90,454)	1,236,215	94,190
OWDA - #1501	Enterprise	271,690	-	(51,338)	220,352	55,116
Total Enterprise Funds		<u>8,246,224</u>	<u>5,650,000</u>	<u>(6,118,255)</u>	<u>7,777,969</u>	<u>402,342</u>
Total All Funds		<u>\$ 17,819,457</u>	<u>\$ 10,750,000</u>	<u>\$ (11,504,753)</u>	<u>\$ 17,064,704</u>	<u>\$ 892,619</u>

The beginning balances were restated based upon OWDA finalizing repayment terms and the Village paying enterprise debt from the funds obligated to repay such debt.

VILLAGE OF CANAL WINCHESTER

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

NOTE 5 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2004, are as follows:

Year Ending December 31,	2003 Promissory Note		2004 General Obligation Bonds		1999 Various Purpose Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 26,500	\$ -	\$ 100,000	\$ 95,988	\$ 155,000	\$ 172,670
2006	-	-	110,000	87,960	160,000	166,160
2007	-	-	110,000	85,210	170,000	159,280
2008	-	-	115,000	82,460	175,000	151,800
2009	-	-	115,000	79,585	185,000	143,313
2010 - 2014	-	-	635,000	343,774	1,065,000	565,815
2015 - 2019	-	-	500,000	473,375	1,400,000	239,250
2020 - 2023	-	-	865,000	120,150	-	-
Totals	<u>\$ 26,500</u>	<u>\$ -</u>	<u>\$ 2,550,000</u>	<u>\$ 1,368,502</u>	<u>\$ 3,310,000</u>	<u>\$ 1,598,288</u>

Year Ending December 31,	1994 Water & Sewer Improvement		1993 G.O. Bonds		1992 OPWC Hocking Water	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 15,000	\$ 17,295	\$ 55,000	\$ 33,695	\$ 4,460	\$ -
2006	20,000	16,245	55,000	30,615	4,460	-
2007	20,000	14,845	60,000	27,480	4,460	-
2008	20,000	13,445	60,000	24,000	4,460	-
2009	25,000	12,045	60,000	20,400	4,460	-
2010 - 2014	145,000	32,660	280,000	42,900	11,148	-
Totals	<u>\$ 245,000</u>	<u>\$ 106,535</u>	<u>\$ 570,000</u>	<u>\$ 179,090</u>	<u>\$ 33,448</u>	<u>\$ -</u>

VILLAGE OF CANAL WINCHESTER

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

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Year Ending December 31	1996 OPWC		2001 OPWC		1999 OPWC		2003 OPWC	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 4,530	\$ 1,802	\$ 39,117	\$ -	\$ 8,063	\$ 6,240	\$ 30,082	\$ -
2006	4,667	1,665	39,117	-	8,307	5,996	30,082	-
2007	4,808	1,524	39,117	-	8,558	5,745	30,082	-
2008	4,954	1,378	39,117	-	8,816	5,487	30,082	-
2009	5,104	1,230	39,117	-	9,083	5,220	30,082	-
2010 - 2014	27,925	3,738	195,585	-	49,702	21,813	150,410	-
2015 - 2019	9,222	278	195,582	-	57,681	12,833	150,410	-
2020 - 2024	-	-	39,116	-	59,790	4,573	135,374	-
Totals	<u>\$ 61,210</u>	<u>\$ 11,615</u>	<u>\$ 625,868</u>	<u>\$ -</u>	<u>\$ 210,000</u>	<u>\$ 67,907</u>	<u>\$ 586,604</u>	<u>\$ -</u>

Year Ending December 31	2002 OPWC		2002 Ohio Public Works		2004 Sewer System Adjustable Rate First Mortgage		1994 OPDA Elevated Water Storage	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 50,781	\$ -	\$ 18,797	\$ -	\$ 205,000	\$ 212,315	\$ 30,983	\$ 22,983
2006	50,781	-	18,797	-	210,000	207,190	32,848	21,118
2007	50,781	-	18,797	-	215,000	201,940	34,826	19,141
2008	50,781	-	18,797	-	220,000	196,565	36,922	17,044
2009	50,781	-	18,797	-	230,000	191,065	39,144	14,821
2010 - 2014	253,905	-	93,985	-	1,245,000	846,047	192,021	28,951
2015 - 2019	253,905	-	93,985	-	1,490,000	602,903	-	-
2020 - 2023	253,898	-	75,195	-	1,835,000	255,150	-	-
Totals	<u>\$ 1,015,613</u>	<u>\$ -</u>	<u>\$ 357,150</u>	<u>\$ -</u>	<u>\$ 5,650,000</u>	<u>\$ 2,713,175</u>	<u>\$ 366,744</u>	<u>\$ 124,058</u>

Year Ending December 31,	1989 OWDA Waterline		1989 OWDA Waterline		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 94,190	\$ 105,847	\$ 55,116	\$ 18,107	\$ 892,619	\$ 686,942
2006	101,971	98,067	59,172	14,051	905,202	649,067
2007	110,394	89,644	63,527	9,696	940,350	614,505
2008	119,512	80,526	42,537	5,015	945,978	577,720
2009	129,384	70,654	-	-	940,952	538,333
2010 - 2014	680,764	119,387	-	-	5,025,445	2,005,085
2015 - 2019	-	-	-	-	4,150,785	1,328,639
2020 - 2024	-	-	-	-	3,263,373	379,873
Totals	<u>\$1,236,215</u>	<u>\$ 564,125</u>	<u>\$ 220,352</u>	<u>\$ 46,869</u>	<u>\$17,064,704</u>	<u>\$6,780,164</u>

VILLAGE OF CANAL WINCHESTER

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

NOTE 6 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

	<u>2004</u>	<u>2003</u>
Real property tax	\$ 146,705,280	\$ 174,141,890
Public utility tangible personal property	3,203,520	6,818,690
Tangible personal property	<u>17,243,834</u>	<u>15,182,734</u>
Total assessed valuation	<u>\$ 167,152,634</u>	<u>\$ 196,143,314</u>

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 \$2,982,128 in 2004 in income tax receipts which are receipted directly into the General Fund.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

VILLAGE OF CANAL WINCHESTER

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit.

Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The Village's contribution rate for pension benefits for 2004 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$163,872, \$151,775, and \$138,489, respectively; these contributions were sufficient to fulfill the requirements.

NOTE 9 - POSTRETIREMENT BENEFIT PLANS

Ohio Public Employees Retirement System

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

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

VILLAGE OF CANAL WINCHESTER

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

NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$48,375. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

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

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

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 twelve 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

The Village is not currently involved in litigation that the Village's legal counsel anticipates a loss.

VILLAGE OF CANAL WINCHESTER

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

NOTE 12 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2004, consisted of the following, as reported in the fund financial statements:

<u>Transfer to</u>	<u>Transfer From</u>	
	<u>General</u>	<u>Sewer</u>
Debt Service	\$ 481,200	\$ -
Nonmajor Governmental Fund	363,800	-
Nonmajor Enterprise Fund	-	111,170
Total	<u>\$ 845,000</u>	<u>\$ 111,170</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.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

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

Members of Council and Mayor
Village of Canal Winchester, Franklin County
36 S. High Street
Canal Winchester, Ohio 43110

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Canal Winchester, Franklin County, Ohio, (the "Village") as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 17, 2005 wherein we noted the Village prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Canal Winchester's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated May 17, 2005

Members of Council and Mayor
Village of Canal Winchester

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-VOCW-001 and 2004-VOCW-002. We also noted certain matters which we have reported to the management of the Village in a separate letter dated May 17, 2005.

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

Trumble, Julian, & Grube, Inc.

Julian & Grube, Inc.
May 17, 2005

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2004-VOCW-001

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources as follows:

<u>Major Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Obligation Debt Service	\$ 5,662,797	\$ 5,710,797	\$ 48,000

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Village's depository or in the process of collection that were certified to the County Auditor. This may result in a fund deficit.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the Village should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the Village should monitor its budgetary process on a regular basis.

Client Response: The Finance Director will monitor appropriations and estimated resources throughout the year to ensure compliance.

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2003-VOCW-002

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted that during the year that the Village incurred expenditures in which an invoice was dated prior to the purchase order as certified by the Finance Director, thus causing 22% of 2004 expenditures tested not to be certified in a timely manner.

Without timely certification, the Village increases the risk that purchases may be made for an improper public purpose, expend more funds than are appropriated, or that are available in the treasury or in the process of collection. Thus a negative fund balance may result.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using "Then" and "Now" certificates where applicable.

Client Response: The Finance Director will monitor expenditures throughout the year to determine proper certification.

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

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-VOCW-001	Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated resources.	No	Reported as Finding Number 2004-VOCW-001.
2003-VOCW-002	Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.	No	Reported in the Management Letter.
2003-VOCW-003	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Reported as Finding Number 2004-VOCW-003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**VILLAGE OF CANAL WINCHESTER
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 18, 2005**