

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

Financial Statements
(Audited)

For The Year Ended
December 31, 2012

AMANDA JACKSON, FINANCE DIRECTOR



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Canal Winchester, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 8, 2013

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canal Winchester, Franklin County, Ohio, as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the City of Canal Winchester's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City of Canal Winchester's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City of Canal Winchester's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canal Winchester, Franklin County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the general fund, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2012, the City of Canal Winchester adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City of Canal Winchester's basic financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2013, on our consideration of the City of Canal Winchester's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Canal Winchester's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 30, 2013

CITY OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

The management's discussion and analysis of the City of Canal Winchester's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- The total net position of the City increased \$3,712,557 from the 2011 restated net position. Net position of governmental activities increased \$4,101,211 or 949.20% over the 2011 restated balance of \$432,068 and net position of business-type activities decreased \$388,654 or 0.79% under 2011.
- General revenues accounted for \$5,769,203 of total governmental activities revenue. Program specific revenues accounted for \$3,642,629 or 38.70% of total governmental activities revenue.
- The City had \$5,298,071 in expenses related to governmental activities; \$3,642,629 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$1,655,442 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,769,203.
- The general fund had revenues of \$5,685,657 in 2012. This represents a decrease of \$386,339 from 2011's revenues. The expenditures and other financing uses of the general fund, which totaled \$6,140,589 in 2012, increased \$106,539 from 2011's expenditures. The net decrease in fund balance for the general fund was \$454,932 or 14.20%.
- The debt service fund had other financing sources of \$2,502,791 in 2012. The expenditures of the debt service fund, totaled \$2,501,850 in 2012. The net increase in fund balance for the debt service fund was \$941.
- The grant project fund had revenues of \$2,601,119 in 2012. The expenditures of the grant project fund, totaled \$2,595,765 in 2012. The net increase in fund balance for the grant project fund was \$5,354.
- Net position for the business-type activities, which are made up of the water, sewer, and storm water enterprise funds, decreased in 2012 by \$388,654. This decrease in net position was due primarily to operating expenses exceeding operating revenues.
- In the general fund, the actual revenues and other financing sources came in \$310,593 higher than they were in the final budget and actual expenditures and other financing uses were \$339,230 less than the amount in the final budget.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those 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 City's most significant funds with all other nonmajor funds presented in total in one column.

CITY OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City 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 City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer, water and storm water operations are reported here.

The City's statement of net position and statement of activities can be found on pages 16-18 of this report.

Reporting the City'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 City, 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 City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the debt service fund and the grant project fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 19-23 of this report.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and storm water management functions. All of the enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 27 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28- 59 of this report.

CITY OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Government-Wide Financial Analysis

The statement of net position serves as a useful indicator of a government's financial position. The table below provides a summary of the City's net position for 2012 and restated net position for 2011 as shown in Note 3:

	Net Position					
	Governmental Activities 2012	Business-type Activities 2012	Restated Governmental Activities 2011	Business-type Activities 2011	Total 2012	Restated Total 2011
Assets						
Current and other assets	\$ 6,089,590	\$ 7,846,173	\$ 5,223,803	\$ 7,305,728	\$ 13,935,763	\$ 12,529,531
Nondepreciable capital assets	1,743,715	913,400	1,721,777	913,400	2,657,115	2,635,177
Depreciable capital assets, net	<u>7,329,412</u>	<u>49,458,320</u>	<u>4,466,758</u>	<u>51,009,705</u>	<u>56,787,732</u>	<u>55,476,463</u>
Capital assets, net	<u>9,073,127</u>	<u>50,371,720</u>	<u>6,188,535</u>	<u>51,923,105</u>	<u>59,444,847</u>	<u>58,111,640</u>
Total assets	<u>15,162,717</u>	<u>58,217,893</u>	<u>11,412,338</u>	<u>59,228,833</u>	<u>73,380,610</u>	<u>70,641,171</u>
Liabilities						
Current and other liabilities	816,078	167,070	222,769	124,492	983,148	347,261
Long-term liabilities:						
Due within one year	2,345,951	796,638	2,505,520	714,462	3,142,589	3,219,982
Due in more than one year	<u>7,031,916</u>	<u>8,167,649</u>	<u>7,826,109</u>	<u>8,914,689</u>	<u>15,199,565</u>	<u>16,740,798</u>
Total liabilities	<u>10,193,945</u>	<u>9,131,357</u>	<u>10,554,398</u>	<u>9,753,643</u>	<u>19,325,302</u>	<u>20,308,041</u>
Deferred inflows of resources	<u>435,493</u>	<u>-</u>	<u>425,872</u>	<u>-</u>	<u>435,493</u>	<u>425,872</u>
Total liabilities and deferred inflows of resources	<u>10,629,438</u>	<u>9,131,357</u>	<u>10,980,270</u>	<u>9,753,643</u>	<u>19,760,795</u>	<u>20,733,913</u>
Net Position						
Net investment in capital assets (deficit)	(423,019)	41,485,889	(3,961,787)	42,356,734	41,062,870	38,394,947
Restricted:						
Capital projects	65,652	-	15,418	-	65,652	15,418
Transportation projects	701,445	-	646,064	-	701,445	646,064
Leisure time activity	82,051	-	77,375	-	82,051	77,375
General government	313,380	-	212,390	-	313,380	212,390
Public health	12,650	-	-	-	12,650	-
Unrestricted	<u>3,781,120</u>	<u>7,600,647</u>	<u>3,442,608</u>	<u>7,118,456</u>	<u>11,381,767</u>	<u>10,561,064</u>
Total net position (restated)	<u>\$ 4,533,279</u>	<u>\$ 49,086,536</u>	<u>\$ 432,068</u>	<u>\$ 49,475,190</u>	<u>\$ 53,619,815</u>	<u>\$ 49,907,258</u>

Total assets exceeded total liabilities and deferred inflows of resources in 2012 by \$53,619,815, compared to \$49,907,258 in 2011 as restated, an increase of \$3,712,557. During 2012, the City's total assets increased by \$2,739,439 or 3.88% and total liabilities and deferred inflows of resources decreased by \$973,118 or 4.69%.

CITY OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The following table shows the changes in net position for 2012 and 2011 as restated.

	Change in Net Position					
	Governmental	Business-type	Governmental	Business-type	2012	2011
	Activities	Activities	Activities	Activities	Total	Total
	2012	2012	2011	2011		
Revenues						
Program revenues:						
Charges for services	\$ 621,222	\$ 3,537,517	\$ 731,272	\$ 3,169,526	\$ 4,158,739	\$ 3,900,798
Operating grants and contributions	392,674	-	361,378	-	392,674	361,378
Capital grants and contributions	<u>2,628,733</u>	<u>-</u>	<u>1,148,853</u>	<u>-</u>	<u>2,628,733</u>	<u>1,148,853</u>
Total program revenues	<u>3,642,629</u>	<u>3,537,517</u>	<u>2,241,503</u>	<u>3,169,526</u>	<u>7,180,146</u>	<u>5,411,029</u>
General revenues:						
Property and other local taxes	380,653	-	374,788	-	380,653	374,788
Income taxes	4,598,558	-	3,982,842	-	4,598,558	3,982,842
Lodging taxes	64,404	-	60,825	-	64,404	60,825
Payment in lieu of taxes	102,367	-	215,295	-	102,367	215,295
Grants and entitlements	359,231	-	404,116	-	359,231	404,116
Interest	68,915	-	128,869	-	68,915	128,869
Miscellaneous	<u>195,075</u>	<u>24,148</u>	<u>97,413</u>	<u>41,825</u>	<u>219,223</u>	<u>139,238</u>
Total general revenues	<u>5,769,203</u>	<u>24,148</u>	<u>5,264,148</u>	<u>41,825</u>	<u>5,793,351</u>	<u>5,305,973</u>
Total revenues	<u>9,411,832</u>	<u>3,561,665</u>	<u>7,505,651</u>	<u>3,211,351</u>	<u>12,973,497</u>	<u>10,717,002</u>
Program Expenses:						
General government	1,878,461	-	1,854,583	-	1,878,461	1,854,583
Security of persons and property	1,039,037	-	1,004,476	-	1,039,037	1,004,476
Public health and welfare	37,494	-	62,842	-	37,494	62,842
Transportation	958,956	-	1,166,880	-	958,956	1,166,880
Community environment	539,657	-	461,614	-	539,657	461,614
Leisure time activity	586,181	-	579,864	-	586,181	579,864
Interest and fiscal charges	249,128	-	287,393	-	249,128	287,393
Note issuance costs	9,157	-	-	-	9,157	-
Sewer operating	-	2,013,881	-	1,976,515	2,013,881	1,976,515
Water operating	-	1,665,577	-	1,559,827	1,665,577	1,559,827
Storm water operating	-	<u>283,411</u>	-	<u>373,850</u>	<u>283,411</u>	<u>373,850</u>
Total expenses	<u>5,298,071</u>	<u>3,962,869</u>	<u>5,417,652</u>	<u>3,910,192</u>	<u>9,260,940</u>	<u>9,327,844</u>
Increase in net assets before transfers	4,113,761	(401,204)	2,087,999	(698,841)	1,389,158	690,317
Transfers	<u>(12,550)</u>	<u>12,550</u>	<u>(3,095)</u>	<u>3,095</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	4,101,211	(388,654)	2,084,904	(695,746)	3,712,557	1,389,158
Net position beginning of year (restated)	<u>432,068</u>	<u>49,475,190</u>	<u>(1,652,836)</u>	<u>50,170,936</u>	<u>49,907,258</u>	<u>48,518,100</u>
Net position end of year	<u>\$ 4,533,279</u>	<u>\$ 49,086,536</u>	<u>\$ 432,068</u>	<u>\$ 49,475,190</u>	<u>\$ 53,619,815</u>	<u>\$ 49,907,258</u>

CITY OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Governmental Activities

Governmental activities net position increased \$4,101,211 in 2012 compared to a \$2,084,904 increase in net position in 2011. This is a result of increasing revenues derived from income taxes and grants and contributions.

Security of persons and property which primarily supports the operations of the police and fire department accounted for \$1,039,037 or 19.61% of the total expenses of the City. General government expenses totaled \$1,878,461. General government expenses were partially funded by \$486,207 in direct charges to users of the services.

The State and federal government contributed to the City a total of \$392,674 in operating grants and contributions and \$2,628,733 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Capital grants and contributions increased 128.81 percent from 2011 due to the City's Gender Road projects.

General revenues totaled \$5,769,203 and amounted to 61.30% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$4,979,211. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$359,231.

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 2012 compared to 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities - Program Revenues vs. Total Expenses

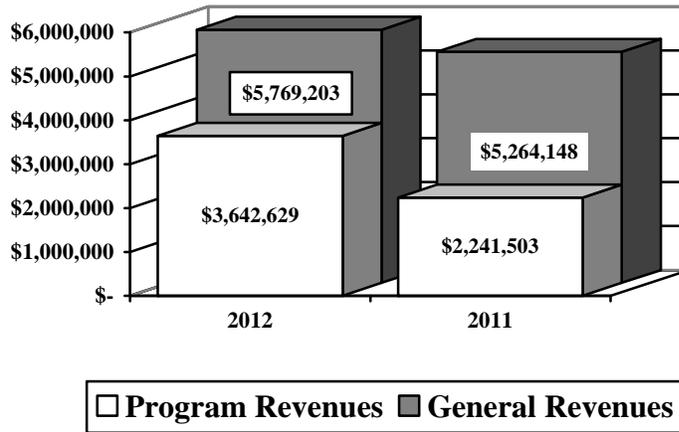
	Governmental Activities			
	2012		2011	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program Expenses:				
General government	\$ 1,878,461	\$ 1,392,254	\$ 1,854,583	\$ 1,271,325
Security of persons and property	1,039,037	1,039,037	1,004,476	1,004,476
Public health and welfare	37,494	24,844	62,842	62,842
Transportation	958,956	(2,049,801)	1,166,880	(343,351)
Community environment	539,657	539,657	461,614	461,614
Leisure time activity	586,181	451,166	579,864	431,850
Interest and fiscal charges	249,128	249,128	287,393	287,393
Note issuance costs	<u>9,157</u>	<u>9,157</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 5,298,071</u></u>	<u><u>\$ 1,655,442</u></u>	<u><u>\$ 5,417,652</u></u>	<u><u>\$ 3,176,149</u></u>

CITY OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The dependence upon general revenues for governmental activities is apparent, with 31.25% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2012.

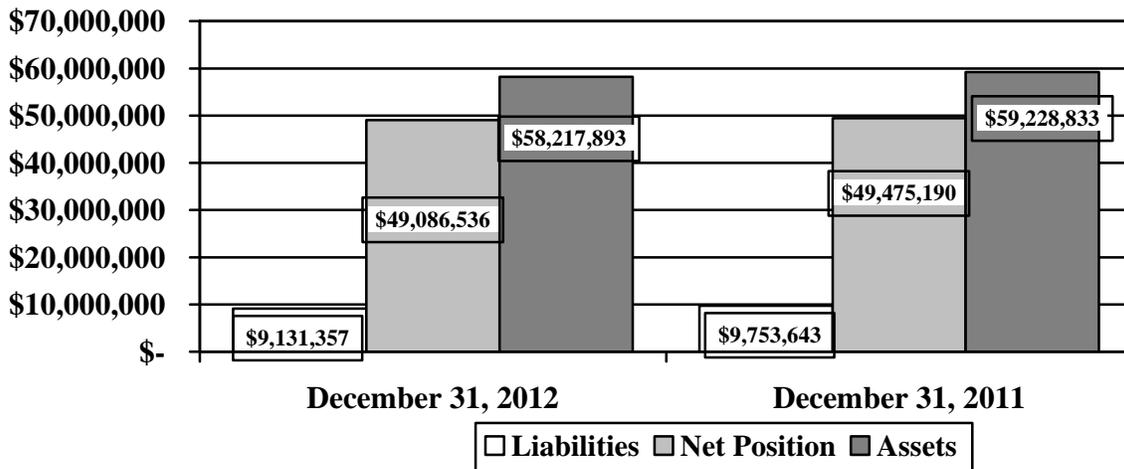
Governmental Activities – General and Program Revenues



Business-type Activities

Business-type activities include the water, sewer, and storm water enterprise funds. These programs had program revenues of \$3,537,517 and expenses of \$3,962,869 for 2012. The graph below shows the business-type activities assets, liabilities and net position at year-end.

Net Position in Business - Type Activities



CITY OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$3,815,699 which is \$331,598 below last year's total of \$4,147,297. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2012 for all major and non-major governmental funds.

	<u>Fund Balances</u> 12/31/2012	<u>Fund Balances</u> 12/31/2011	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General fund	\$ 2,747,986	\$ 3,202,918	\$ (454,932)
Debt service fund	28,897	27,956	941
Grant project fund	31,691	26,337	5,354
Other nonmajor governmental funds	<u>1,007,125</u>	<u>890,086</u>	<u>117,039</u>
Total	<u>\$ 3,815,699</u>	<u>\$ 4,147,297</u>	<u>\$ (331,598)</u>

General Fund

The City's general fund balance decreased \$454,932. The table that follows assists in illustrating the revenues of the general fund.

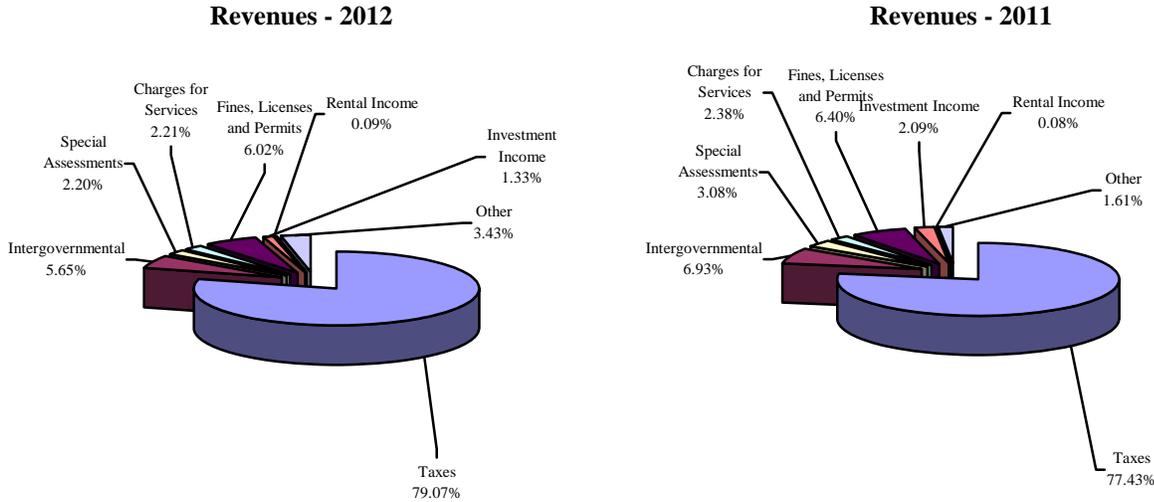
	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 4,496,655	\$ 4,681,069	(3.94) %
Intergovernmental	321,214	419,162	(23.37) %
Special assessments	124,802	186,292	(33.01) %
Charges for services	125,582	144,099	(12.85) %
Fines, licenses and permits	342,039	386,978	(11.61) %
Investment income	75,380	126,182	(40.26) %
Rental income	4,910	4,900	0.20 %
Other	<u>195,075</u>	<u>97,413</u>	100.26 %
Total	<u>\$ 5,685,657</u>	<u>\$ 6,046,095</u>	(5.96) %

The City's largest revenue source in the general fund was income tax revenue, which represents 79.09% of all general fund revenue. Tax revenues decreased 3.94% due primarily to a decrease in income tax collections. Other revenues increased 100.26% due to an increase in revenues related to various miscellaneous sources. Investment income decreased due to a decrease in investment activity and the reporting of applicable investment at fair market value in 2012.

CITY OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The graphs below show a comparison of revenues for 2012 and 2011:



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

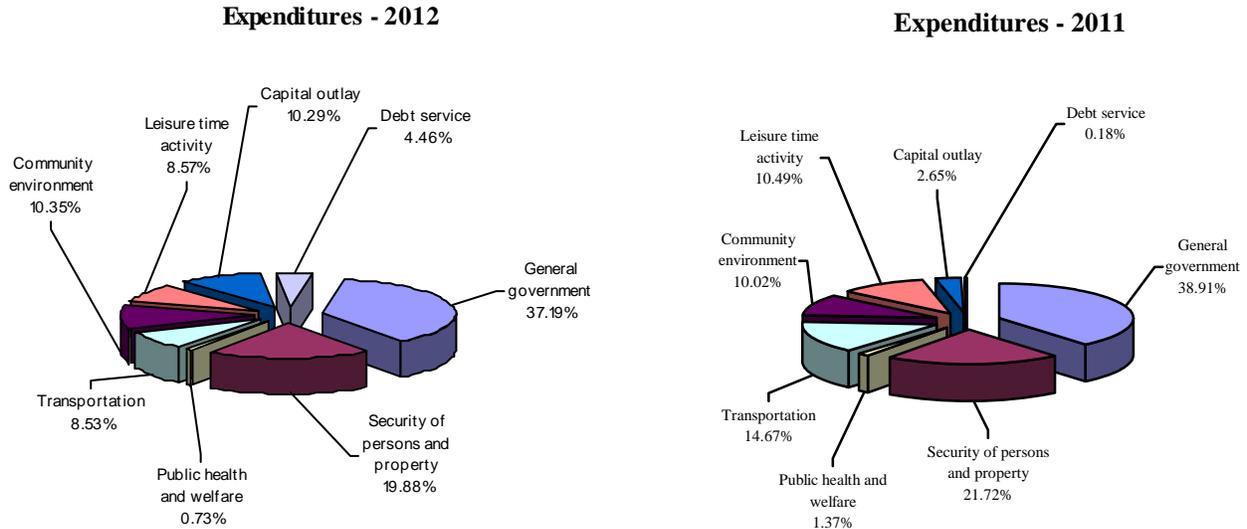
	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,914,340	\$ 1,789,433	6.98 %
Security of persons and property	1,023,658	974,918	5.00 %
Public health and welfare	37,494	62,842	(40.34) %
Transportation	439,036	674,418	(34.90) %
Community environment	532,875	460,702	15.67 %
Leisure time activity	441,260	482,475	(8.54) %
Capital outlay	529,871	145,647	263.80 %
Debt service	229,362	8,062	2,744.98 %
Total	<u>\$ 5,147,896</u>	<u>\$ 4,598,497</u>	11.95 %

General government expenditures consist of various departments that service the government as a whole. General government expenditures increased 6.98% over 2011. Security of persons and property expenditures consist primarily of police operations. These expenditures increased 5.00% over 2011. Capital outlay expenditures increased 263.80% over 2011 due to the 2012 payment of bond anticipation notes. Debt service expenditures increased due to the 2012 short-term bond anticipation notes. General government and security of persons and property operations account for 57.07% of total general fund expenditures.

CITY OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

The graphs below show a comparison of revenues for 2012 and 2011:



Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund. In the general fund, the actual revenues and financing sources came in \$310,593 higher than they were in the final budget and actual expenditures and other financing uses were \$339,230 less than the amount in the final budget. Original budgeted revenues and other financing sources of \$5,790,692 were \$164,588 less than the final budget. Budgeted expenditures and other financing uses increased \$485,600 from an original budget of \$6,045,858 to a final budget of \$6,531,458.

Debt Service Fund

The debt service fund had other financing sources of \$2,502,791 in 2012. The expenditures of the debt service fund, totaled \$2,501,850 in 2012. The net increase in fund balance for the debt service fund was \$941.

Grant Project Fund

The grant project fund had revenues of \$2,601,119 in 2012. The expenditures of the grant project fund, totaled \$2,595,765 in 2012. The net increase in fund balance for the grant project fund was \$5,354.

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

CITY OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Capital Assets and Debt Administration

Capital Assets

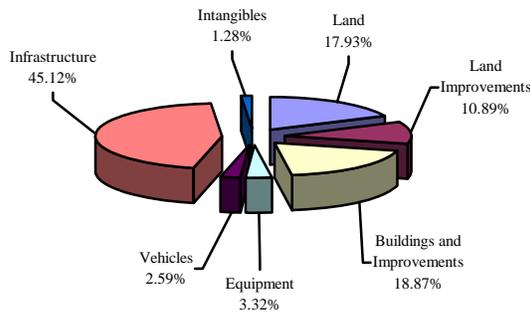
At the end of 2012, the City had \$59,444,847 (net of accumulated depreciation) invested in land, intangibles, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Of this total, \$9,073,127 was reported in governmental activities and \$50,371,720 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2012 balances compared to 2011.

**Capital Assets at December 31
(Net of Depreciation)**

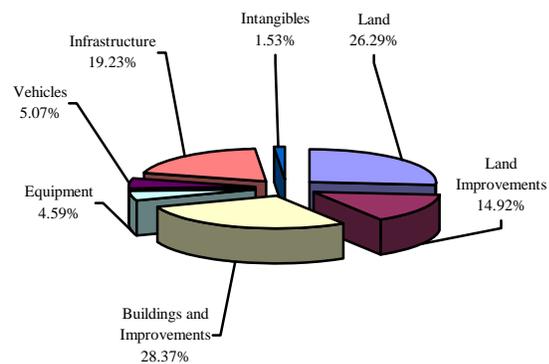
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 1,627,260	\$ 1,627,260	\$ 913,400	\$ 913,400	\$ 2,540,660	\$ 2,540,660
Intangibles	116,455	94,517	-	-	116,455	94,517
Land improvements	988,169	923,212	-	-	988,169	923,212
Buildings and improvements	1,711,679	1,755,685	9,786,055	9,962,106	11,497,734	11,717,791
Equipment	300,885	284,116	660,197	655,573	961,082	939,689
Vehicles	235,145	313,983	49,752	67,278	284,897	381,261
Infrastructure	4,093,534	1,189,762	38,962,316	40,324,748	43,055,850	41,514,510
Totals	\$ 9,073,127	\$ 6,188,535	\$ 50,371,720	\$ 51,923,105	\$ 59,444,847	\$ 58,111,640

The following graphs show the breakdown of governmental capital assets by category for 2012 and 2011.

Capital Assets - Governmental Activities 2012



Capital Assets - Governmental Activities 2011



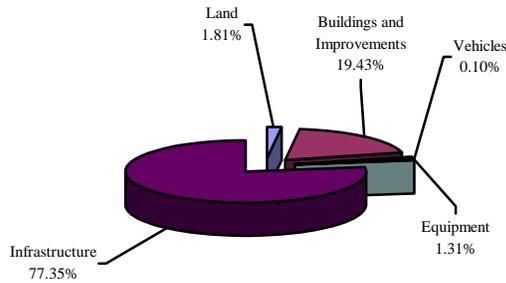
The City's largest governmental capital asset category is infrastructure. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 45.12% of the City's total governmental capital assets.

CITY OF CANAL WINCHESTER, OHIO

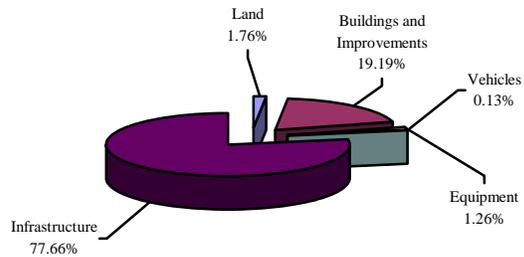
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The following graphs show the breakdown of business-type capital assets by category for 2012 and 2011.

Capital Assets - Business - Type Activities 2012



Capital Assets - Business - Type Activities 2011



The City's largest business-type capital asset category is infrastructure. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 77.35% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2012 and 2011:

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 5,645,000	\$ 6,205,000
OPWC loans	2,087,592	2,258,982
Bond anticipation notes	1,500,000	1,700,000
Lease purchase agreement	35,430	57,968
Capital lease obligation	35,504	45,505
Compensated absences	81,721	71,992
Total long-term obligations	<u>\$ 9,385,247</u>	<u>\$ 10,339,447</u>
	<u>Business-type Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenue bonds	\$ 3,845,000	\$ 4,095,000
OPWC loans	159,136	176,878
OWDA loans	4,881,695	5,294,493
Compensated absences	78,456	62,780
Total long-term obligations	<u>\$ 8,964,287</u>	<u>\$ 9,629,151</u>

See Note 13 to the basic financial statements for detail on the City's long-term obligations.

CITY OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

Economic Factors and Next Year's Budget and Rates

The City of Canal Winchester's financial condition has improved over the past two years – a positive sign of a recovering economy in the area. Income tax collections, the City's primary source of General Fund revenue, increased over 7% (on the cash basis) in 2012 and are projected to continue to increase in 2013.

Policy changes at the State level have impacted Local Government Funding causing the City's allocation to decrease. The City has seen a 30% reduction in this State aid since 2011 and will see an even greater reduction in 2013. With budget shortfalls continuing at the State level, Local Government funding will also continue to be a target for cuts.

Legislation was recently introduced into the Ohio General Assembly regarding the uniformity of municipal income taxes throughout the State. If enacted in its current form, this legislation would severely impact the City's control over its income tax and cause significant revenue loss for the City in future years.

In addition, the following items were taken into consideration during preparation of the 2013 budget:

- Current unemployment rates in Franklin and Fairfield County are 6.3% and 6.7%, respectively. These rates are both lower than the state average of 7.6% and national average of 8.1%.
- Ohio's estate tax was repealed effective January 1, 2013. This represents an average yearly revenue loss of \$100,000 for the City.
- The City has been awarded funding from the Ohio Department of Public Works in the form of grants and loans to assist with various City capital improvement projects in the next two years.
- Interest rates continue to be lower than historical levels.
- Development revenue has decreased over the past three years as a result of the economy and is expected to show improvement in the next few years.

The 2013 Budget reflects the City's continued effort to practice conservative budgetary practices in order to preserve a positive financial position in future years.

Contacting the City's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

CITY OF CANAL WINCHESTER, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 3,941,993	\$ 7,311,729	\$ 11,253,722
Receivables:			
Income taxes.	1,065,919	-	1,065,919
Property and other taxes.	367,883	-	367,883
Payment in lieu of taxes	91,268	-	91,268
Accounts.	46,634	464,344	510,978
Special assessments	29,591	-	29,591
Accrued interest	20,273	-	20,273
Due from other governments.	468,322	-	468,322
Materials and supplies inventory.	34,978	41,931	76,909
Prepayments	22,729	28,169	50,898
Capital assets:			
Non-depreciable capital assets.	1,743,715	913,400	2,657,115
Depreciable capital assets, net.	7,329,412	49,458,320	56,787,732
Total capital assets, net.	<u>9,073,127</u>	<u>50,371,720</u>	<u>59,444,847</u>
Total assets.	<u>15,162,717</u>	<u>58,217,893</u>	<u>73,380,610</u>
Liabilities:			
Accounts payable.	96,580	20,348	116,928
Contracts payable.	970	-	970
Accrued wages and benefits payable	47,467	23,057	70,524
Due to other governments	440,080	33,826	473,906
Accrued interest payable	30,981	89,839	120,820
Note payable.	200,000	-	200,000
Long-term liabilities:			
Due within one year	2,345,951	796,638	3,142,589
Due in more than one year.	7,031,916	8,167,649	15,199,565
Total liabilities	<u>10,193,945</u>	<u>9,131,357</u>	<u>19,325,302</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	344,225	-	344,225
Payment in lieu of taxes levied for the next fiscal year.	91,268	-	91,268
Total deferred inflows of resources	<u>435,493</u>	<u>-</u>	<u>435,493</u>
Total liabilities and deferred inflows of resources.	<u>10,629,438</u>	<u>9,131,357</u>	<u>19,760,795</u>
Net position:			
Net investment in capital assets (deficit)	(423,019)	41,485,889	41,062,870
Restricted for:			
Capital projects	65,652	-	65,652
Transportation projects	701,445	-	701,445
Leisure time activity	82,051	-	82,051
General government	313,380	-	313,380
Public health	12,650	-	12,650
Unrestricted	3,781,120	7,600,647	11,381,767
Total net position	<u>\$ 4,533,279</u>	<u>\$ 49,086,536</u>	<u>\$ 53,619,815</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,878,461	\$ 486,207	\$ -	\$ -
Security of persons and property . . .	1,039,037	-	-	-
Public health and welfare	37,494	-	12,650	-
Transportation.	958,956	-	380,024	2,628,733
Community environment	539,657	-	-	-
Leisure time activity.	586,181	135,015	-	-
Interest and fiscal charges	249,128	-	-	-
Note issuance costs.	9,157	-	-	-
Total governmental activities	<u>5,298,071</u>	<u>621,222</u>	<u>392,674</u>	<u>2,628,733</u>
Business-type activities:				
Sewer	2,013,881	1,783,762	-	-
Water	1,665,577	1,540,027	-	-
Storm Water	283,411	213,728	-	-
Total business-type activities	<u>3,962,869</u>	<u>3,537,517</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 9,260,940</u>	<u>\$ 4,158,739</u>	<u>\$ 392,674</u>	<u>\$ 2,628,733</u>

General revenues:

- Property taxes levied for:
 - General purposes
- Income taxes levied for:
 - General purposes
- Lodging tax levied for:
 - Special revenue
- Payments in lieu of taxes
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers.

Change in net position

Net position at beginning of year (restated). . .

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (1,392,254)	\$ -	\$ (1,392,254)
(1,039,037)	-	(1,039,037)
(24,844)	-	(24,844)
2,049,801	-	2,049,801
(539,657)	-	(539,657)
(451,166)	-	(451,166)
(249,128)	-	(249,128)
(9,157)	-	(9,157)
<u>(1,655,442)</u>	<u>-</u>	<u>(1,655,442)</u>
-	(230,119)	(230,119)
-	(125,550)	(125,550)
-	<u>(69,683)</u>	<u>(69,683)</u>
-	<u>(425,352)</u>	<u>(425,352)</u>
<u>(1,655,442)</u>	<u>(425,352)</u>	<u>(2,080,794)</u>
380,653	-	380,653
4,598,558	-	4,598,558
64,404	-	64,404
102,367	-	102,367
359,231	-	359,231
68,915	-	68,915
195,075	24,148	219,223
<u>5,769,203</u>	<u>24,148</u>	<u>5,793,351</u>
<u>(12,550)</u>	<u>12,550</u>	<u>-</u>
<u>5,756,653</u>	<u>36,698</u>	<u>5,793,351</u>
4,101,211	(388,654)	3,712,557
432,068	49,475,190	49,907,258
<u>\$ 4,533,279</u>	<u>\$ 49,086,536</u>	<u>\$ 53,619,815</u>

CITY OF CANAL WINCHESTER, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Debt Service	Grant Project	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 2,939,121	\$ 28,897	\$ 55,605	\$ 918,370	\$ 3,941,993
Receivables:					
Income taxes	1,065,919	-	-	-	1,065,919
Property and other taxes	364,337	-	-	3,546	367,883
Payment in lieu of taxes	-	-	-	91,268	91,268
Accounts	46,201	-	-	433	46,634
Special assessments	29,591	-	-	-	29,591
Accrued interest	20,273	-	-	-	20,273
Due from other governments	91,390	-	196,235	180,697	468,322
Materials and supplies inventory	1,426	-	-	33,552	34,978
Prepayments	21,224	-	-	1,505	22,729
Total assets	<u>\$ 4,579,482</u>	<u>\$ 28,897</u>	<u>\$ 251,840</u>	<u>\$ 1,229,371</u>	<u>\$ 6,089,590</u>
Liabilities:					
Accounts payable	\$ 92,507	\$ -	\$ -	\$ 4,073	\$ 96,580
Contracts payable	-	-	970	-	970
Accrued wages and benefits payable	41,817	-	-	5,650	47,467
Compensated absences payable	18,316	-	-	-	18,316
Due to other governments	241,541	-	191,565	6,974	440,080
Note payable	200,000	-	-	-	200,000
Accrued interest payable	1,563	-	-	-	1,563
Total liabilities	<u>595,744</u>	<u>-</u>	<u>192,535</u>	<u>16,697</u>	<u>804,976</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	344,225	-	-	-	344,225
Delinquent property tax revenue not available	20,112	-	-	-	20,112
Accrued interest not available	5,037	-	-	-	5,037
Special assessments revenue not available	29,591	-	-	-	29,591
Income tax revenue not available	760,810	-	-	-	760,810
Other nonexchange transactions not available	75,977	-	27,614	114,281	217,872
Payment in lieu of taxes	-	-	-	91,268	91,268
Total deferred inflows of resources	<u>1,235,752</u>	<u>-</u>	<u>27,614</u>	<u>205,549</u>	<u>1,468,915</u>
Total liabilities and deferred inflows of resources.	<u>1,831,496</u>	<u>-</u>	<u>220,149</u>	<u>222,246</u>	<u>2,273,891</u>
Fund balances:					
Nonspendable	22,650	-	-	35,057	57,707
Restricted	-	-	31,691	972,068	1,003,759
Assigned	208,411	28,897	-	-	237,308
Unassigned	2,516,925	-	-	-	2,516,925
Total fund balances	<u>2,747,986</u>	<u>28,897</u>	<u>31,691</u>	<u>1,007,125</u>	<u>3,815,699</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,579,482</u>	<u>\$ 28,897</u>	<u>\$ 251,840</u>	<u>\$ 1,229,371</u>	<u>\$ 6,089,590</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total governmental fund balances		\$	3,815,699
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			9,073,127
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	760,810	
Real and other taxes receivable		20,112	
Intergovernmental receivable		217,872	
Special assessments receivable		29,591	
Accrued interest receivable		5,037	
Total		<u>5,037</u>	1,033,422
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(29,418)
Unamortized discounts on bond issuances are not recognized in the governmental funds.			7,380
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(63,405)	
General obligation bonds payable		(5,645,000)	
OPWC loans		(2,087,592)	
Bond anticipation notes payable		(1,500,000)	
Lease purchase payable		(35,430)	
Capital lease payable		(35,504)	
Total		<u>(9,366,931)</u>	<u>(9,366,931)</u>
Net position of governmental activities		\$	<u><u>4,533,279</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Grant Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Income taxes	\$ 4,118,270	\$ -	\$ -	\$ -	\$ 4,118,270
Property and other taxes	378,385	-	-	64,404	442,789
Payment in lieu of taxes	-	-	-	102,367	102,367
Intergovernmental	321,214	-	2,601,119	385,224	3,307,557
Special assessments	124,802	-	-	-	124,802
Charges for services	125,582	-	-	-	125,582
Fines, licenses and permits	342,039	-	-	2,919	344,958
Investment income	75,380	-	-	626	76,006
Rental income	4,910	-	-	-	4,910
Other	195,075	-	-	2,715	197,790
Total revenues	<u>5,685,657</u>	<u>-</u>	<u>2,601,119</u>	<u>558,255</u>	<u>8,845,031</u>
Expenditures:					
Current:					
General government	1,914,340	-	-	1,377	1,915,717
Security of persons and property	1,023,658	-	-	-	1,023,658
Public health and welfare	37,494	-	-	-	37,494
Transportation	439,036	-	-	341,398	780,434
Community environment	532,875	-	-	-	532,875
Leisure time activity	441,260	-	-	62,647	503,907
Capital outlay	529,871	-	2,595,765	25,794	3,151,430
Debt service:					
Principal retirement	223,347	2,231,390	-	9,192	2,463,929
Interest and fiscal charges	6,015	261,303	-	808	268,126
Note issuance costs	-	9,157	-	-	9,157
Total expenditures	<u>5,147,896</u>	<u>2,501,850</u>	<u>2,595,765</u>	<u>441,216</u>	<u>10,686,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>537,761</u>	<u>(2,501,850)</u>	<u>5,354</u>	<u>117,039</u>	<u>(1,841,696)</u>
Other financing sources (uses):					
Note issuance	-	1,500,000	-	-	1,500,000
Transfers in	-	992,693	-	-	992,693
Transfers (out)	(992,693)	-	-	-	(992,693)
Premium on note issuance	-	10,098	-	-	10,098
Total other financing sources (uses)	<u>(992,693)</u>	<u>2,502,791</u>	<u>-</u>	<u>-</u>	<u>1,510,098</u>
Net change in fund balances	(454,932)	941	5,354	117,039	(331,598)
Fund balances at beginning of year	<u>3,202,918</u>	<u>27,956</u>	<u>26,337</u>	<u>890,086</u>	<u>4,147,297</u>
Fund balances at end of year	<u>\$ 2,747,986</u>	<u>\$ 28,897</u>	<u>\$ 31,691</u>	<u>\$ 1,007,125</u>	<u>\$ 3,815,699</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds	\$	(331,598)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 3,250,710	
Current year depreciation	<u>(286,404)</u>	
Total		2,964,306
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(79,714)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	480,288	
Real and other taxes	2,268	
Intergovernmental revenues	69,740	
Special assessments	20,970	
Investment income	<u>(6,465)</u>	
Total		566,801
Proceeds of notes are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(1,500,000)
Repayment of bond, loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		2,463,929
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported on the statement of activities:		
Increase in accrued interest payable	9,338	
Amortization of bond discounts	<u>(438)</u>	
Total		8,900
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>8,587</u>
Change in net position of governmental activities	\$	<u><u>4,101,211</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 4,284,834	\$ 4,258,631	\$ 4,488,454	\$ 229,823
Property and other taxes.	361,219	359,010	378,385	19,375
Intergovernmental.	366,765	364,522	384,194	19,672
Special assessments.	119,141	118,412	124,802	6,390
Charges for services.	123,454	122,699	129,321	6,622
Fines, licenses and permits	294,748	292,946	308,755	15,809
Interest.	55,533	55,193	58,172	2,979
Rental income	4,688	4,659	4,910	251
Other	179,924	178,824	188,475	9,651
Total revenues	<u>5,790,306</u>	<u>5,754,896</u>	<u>6,065,468</u>	<u>310,572</u>
Expenditures:				
Current:				
General government.	1,915,528	2,152,128	1,914,473	237,655
Security of persons and property	1,041,500	1,041,500	1,028,707	12,793
Public health and services.	63,500	63,500	57,838	5,662
Transportation	471,733	471,733	442,574	29,159
Community environment	552,750	594,750	529,216	65,534
Leisure time activities.	490,979	497,979	445,238	52,741
Capital outlay	517,175	517,175	581,489	(64,314)
Debt service:				
Principal retirement.	-	200,000	200,000	-
Total expenditures	<u>5,053,165</u>	<u>5,538,765</u>	<u>5,199,535</u>	<u>339,230</u>
Excess of revenues over expenditures.	<u>737,141</u>	<u>216,131</u>	<u>865,933</u>	<u>649,802</u>
Other financing sources (uses):				
Sale of capital assets.	386	384	405	21
Note issuance.	-	200,000	200,000	-
Transfers (out).	(992,693)	(992,693)	(992,693)	-
Total other financing sources (uses)	<u>(992,307)</u>	<u>(792,309)</u>	<u>(792,288)</u>	<u>21</u>
Net change in fund balance	(255,166)	(576,178)	73,645	649,823
Fund balance at beginning of year	2,342,118	2,342,118	2,342,118	-
Prior year encumbrances appropriated	208,065	208,065	208,065	-
Fund balance at end of year	<u>\$ 2,295,017</u>	<u>\$ 1,974,005</u>	<u>\$ 2,623,828</u>	<u>\$ 649,823</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Storm Water	Total
Assets:				
Current assets:				
Equity in pooled cash and investments.	\$ 4,667,508	\$ 2,354,688	\$ 289,533	\$ 7,311,729
Receivables:				
Accounts	246,048	183,214	35,082	464,344
Materials and supplies inventory	13,300	28,631	-	41,931
Prepayments	4,248	23,921	-	28,169
Total current assets	4,931,104	2,590,454	324,615	7,846,173
Noncurrent assets:				
Capital assets:				
Non-depreciable capital assets.	8,400	905,000	-	913,400
Depreciable capital assets, net.	25,586,545	15,141,214	8,730,561	49,458,320
Total capital assets, net.	25,594,945	16,046,214	8,730,561	50,371,720
Total noncurrent assets	25,594,945	16,046,214	8,730,561	50,371,720
Total assets	30,526,049	18,636,668	9,055,176	58,217,893
Liabilities:				
Current liabilities:				
Accounts payable.	14,340	6,008	-	20,348
Accrued wages and benefits payable	12,553	10,504	-	23,057
Due to other governments	18,708	15,118	-	33,826
Accrued interest payable	28,476	61,363	-	89,839
Compensated absences payable - current.	30,825	28,568	-	59,393
Revenue bonds payable	255,000	-	-	255,000
OWDA loans payable	95,222	371,042	-	466,264
OPWC loans payable	10,232	5,749	-	15,981
Total current liabilities	465,356	498,352	-	963,708
Long-term liabilities:				
Compensated absences payable	8,928	10,135	-	19,063
Revenue bonds payable	3,590,000	-	-	3,590,000
OWDA loans payable	981,194	3,434,237	-	4,415,431
OPWC loans payable	128,012	15,143	-	143,155
Total long-term liabilities	4,708,134	3,459,515	-	8,167,649
Total liabilities	5,173,490	3,957,867	-	9,131,357
Net position:				
Net investment in capital assets.	20,535,285	12,220,043	8,730,561	41,485,889
Unrestricted	4,817,274	2,458,758	324,615	7,600,647
Total net position.	\$ 25,352,559	\$ 14,678,801	\$ 9,055,176	\$ 49,086,536

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Storm Water	Total
Operating revenues:				
Charges for services	\$ 1,461,005	\$ 1,309,335	\$ 213,728	\$ 2,984,068
Capacity fees.	322,757	230,692	-	553,449
Other operating revenues	2,685	21,463	-	24,148
Total operating revenues.	1,786,447	1,561,490	213,728	3,561,665
Operating expenses:				
Personal services	384,715	359,599	42,162	786,476
Transportation.	9,682	9,802	-	19,484
Contractual services.	361,573	285,608	30,177	677,358
Materials and supplies.	18,325	190,473	18,446	227,244
Depreciation.	1,020,470	560,754	192,626	1,773,850
Other	-	65,721	-	65,721
Total operating expenses.	1,794,765	1,471,957	283,411	3,550,133
Operating income (loss)	(8,318)	89,533	(69,683)	11,532
Nonoperating revenues (expenses):				
Interest and fiscal charges	(219,116)	(193,620)	-	(412,736)
Total nonoperating revenues (expenses).	(219,116)	(193,620)	-	(412,736)
Loss before transfers.	(227,434)	(104,087)	(69,683)	(401,204)
Capital contributions	12,550	-	-	12,550
Change in net position	(214,884)	(104,087)	(69,683)	(388,654)
Net position at beginning of year	25,567,443	14,782,888	9,124,859	49,475,190
Net position at end of year	\$ 25,352,559	\$ 14,678,801	\$ 9,055,176	\$ 49,086,536

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Storm Water	Total
Cash flows from operating activities:				
Cash received from charges for services.	\$ 1,426,178	\$ 1,307,894	\$ 213,020	\$ 2,947,092
Cash received from capacity fees	331,980	230,692	-	562,672
Cash received from other operations.	2,685	21,463	-	24,148
Cash payments for personal services.	(361,402)	(350,250)	(47,909)	(759,561)
Cash payments for transportation	(9,166)	(9,574)	-	(18,740)
Cash payments for contractual services	(345,138)	(322,885)	(30,230)	(698,253)
Cash payments for materials and supplies	(22,525)	(200,364)	(19,496)	(242,385)
Cash payments for other expenses	-	(60,213)	-	(60,213)
	<u>1,022,612</u>	<u>616,763</u>	<u>115,385</u>	<u>1,754,760</u>
Net cash provided by operating activities				
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(79,334)	(92,967)	(80,000)	(252,301)
Principal retirement on OWDA loans	(91,459)	(352,273)	-	(443,732)
Principal retirement on OPWC loans	(9,931)	(7,811)	-	(17,742)
Principal retirement on revenue bonds.	(250,000)	-	-	(250,000)
Interest and fiscal charges	(204,604)	(132,257)	-	(336,861)
Proceeds of OWDA loans	30,934	-	-	30,934
	<u>(604,394)</u>	<u>(585,308)</u>	<u>(80,000)</u>	<u>(1,269,702)</u>
Net cash used in capital and related financing activities.				
Net increase in cash and cash equivalents.	418,218	31,455	35,385	485,058
Cash and cash equivalents at beginning of year . . .	4,249,290	2,323,233	254,148	6,826,671
Cash and cash equivalents at end of year	<u>\$ 4,667,508</u>	<u>\$ 2,354,688</u>	<u>\$ 289,533</u>	<u>\$ 7,311,729</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (8,318)	\$ 89,533	\$ (69,683)	\$ 11,532
Adjustments:				
Depreciation.	1,020,470	560,754	192,626	1,773,850
Changes in assets and liabilities:				
Increase in materials and supplies inventory	(4,615)	(10,083)	-	(14,698)
Increase in accounts receivable.	(25,604)	(1,441)	(708)	(27,753)
Decrease (increase) in prepayments	3,020	(15,956)	-	(12,936)
Increase (decrease) in accounts payable	37,980	(20,141)	(1,103)	16,736
Decrease in contracts payable	(31,939)	-	-	(31,939)
Increase (decrease) in accrued wages and benefits	5,722	(968)	(1,507)	3,247
Increase (decrease) in intergovernmental payable.	12,278	8,811	(44)	21,045
Increase (decrease) in compensated absences payable.	13,618	6,254	(4,196)	15,676
	<u>1,022,612</u>	<u>616,763</u>	<u>115,385</u>	<u>1,754,760</u>
Net cash provided by operating activities				

Non-cash capital transactions:

During 2012, the sewer fund received \$12,550 in capital contributions.
 During 2011, the sewer and water fund purchased capital assets on account in the amount of \$31,939 and \$10,447, respectively.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2012

	<u>Agency</u>
Assets:	
Current assets:	
Equity in pooled cash and investments.	\$ 133,158
Cash in segregated accounts	<u>10,510</u>
Total assets	<u>\$ 143,668</u>
Liabilities:	
Due to others.	<u>\$ 143,668</u>
Total liabilities	<u>\$ 143,668</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1 - DESCRIPTION OF THE CITY

The City of Canal Winchester (the “City”) 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 City 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 City over which the City officials are financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The most significant of the City’s accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City’s basic financial statements include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City 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 City. The City 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 City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s basic financial statements to be misleading or incomplete. The City has no component units. The following organization is described due to its relationship to the City:

Canal Winchester Industry and Commerce Corporation (the “CWICC”)

The CWICC is a legally separate, non-profit corporation created on August 22, 1994 pursuant to 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 City 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 City. The City is not required under this agreement to provide any financial contribution to the CWICC. The City did not expend any money in 2012 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 City.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

B. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

Fund Financial Statements - Fund financial statements report detailed information about the City. 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 revenues and expenses 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 City's proprietary funds are charges for sales and services, and include personnel and other expenses related to the operations of the enterprise activity. All other revenues and expenses not meeting these definitions are reported as nonoperating transactions.

C. Fund Accounting

The City 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 revenues and expenses. The transactions of each fund are reflected in a self-balancing group of accounts. The City classifies each fund as either governmental, proprietary or fiduciary.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

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

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

Grant project fund - This fund accounts for and reports all transactions relating to Issue II and CDBG construction.

Other governmental funds of the City are used to account for (a) financial resources that are restricted to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted to an expenditure for specified purposes other than debt service or capital projects.

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 City's major enterprise funds:

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

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

Storm water fund - This fund accounts for storm water operations.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has two agency funds which account for the City's Mayor's Court and Meijer agency fund.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all deferred outflows, all liabilities and all deferred inflows associated with the operation of the City are included on the statement of net position.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2012, are recorded as deferred inflows on the governmental fund financial statements.

For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

F. 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 City'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.

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

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 City by September 1. As part of this certification, the City 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 City 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. On or before December 31, the City 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 City legally adopted appropriation amendments during 2012. 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.

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 reapportioned.

G. Cash and Cash Equivalents

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets.

During 2012, the City invested in State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, negotiable certificates of deposit (CD), municipal bonds and U.S. government money market funds. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

The City has invested funds in STAR Ohio during 2012. STAR Ohio is an investment pool managed by the State Treasurer’s Office that 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, 2012.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2012 amounted to \$75,380, which included \$56,202 assigned from other funds of the City.

H. Inventories of Materials and Supplies

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City’s infrastructure consists of culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and intangibles. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	10-50 years	-
Buildings and improvements	50 years	25-50 years
Equipment	5-20 years	10-20 years
Vehicles	8 years	8 years
Infrastructure	20-30 years	30-50 years

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

J. Compensated Absences

Compensated absences of the City consist of vacation leave, sick leave, comp time and personal leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for compensated absence payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation leave, sick leave, comp time and personal leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Activity

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

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

N. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

O. Net Position

Net position represents the difference between assets plus deferred outflows less liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

P. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2012 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

Q. 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 the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2012.

R. Cooperative Economic Development Agreement (CEDA)

On September 15, 2001 the City of Canal Winchester (then Village) entered into a CEDA with Violet Township, a contiguous and overlapping subdivision in Fairfield County, to cooperate in creating and preserving jobs and employment opportunities and to cooperate in inducing and fostering economic development with uniform planning standards in accordance with Ohio Revised Code Section 701.07. The Agreement allows for development of a designated area with the sharing of services and an annual service fee between the parties. This agreement has been in part responsible for the development of industrial/commercial development known as Canal Pointe which currently includes 61 businesses with over 1,038 employees.

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction and from contributions from governmental funds. During 2012, the sewer fund received contributions of capital in the amount of \$12,550 from governmental activities.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

T. Unamortized Bond Discounts

Bond discounts are amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction to the face amount of the bonds.

On the governmental fund financial statements bond discounts are recognized in the current period.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2012, the City has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the City:

	Governmental Activities
Net assets as previously reported	\$ 557,019
Removal of unamortized bond issuance costs	(124,951)
Net position at January 1, 2012	\$ 432,068

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City 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 City 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 City 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;

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

Protection of the City'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 Director of Finance 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 City, 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 Director of Finance or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

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

B. Cash in Segregated Accounts

At fiscal year end, \$10,510 was on deposit for the healthcare account and was held outside of the City's treasury. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts".

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of all City deposits was \$3,510,314. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2012, \$2,479,003 of the City’s bank balance of \$3,560,136 was exposed to custodial credit risk as discussed below, while \$975,250 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City’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 City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

D. Investments

As of December 31, 2012, the City 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>
FHLMC	\$ 814,731	\$ -	\$ -	\$ -	\$ -	\$ 814,731
FNMA	2,384,527	-	-	-	-	2,384,527
FNMA discount note	750,390	-	-	-	-	750,390
Municipal bonds	418,598	-	-	-	418,598	-
Negotiable CD's	3,351,258	-	754,289	249,645	751,047	1,596,277
STAR Ohio	161,515	161,515	-	-	-	-
U.S. Government money market	5,907	5,907	-	-	-	-
Total	<u>\$ 7,886,926</u>	<u>\$ 167,422</u>	<u>\$ 754,289</u>	<u>\$ 249,645</u>	<u>\$ 1,169,645</u>	<u>\$ 5,545,925</u>

The weighted average maturity of investments is 3.25 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City’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 rating service. The federal agency securities carry a rating of AA+ and Aaa by Standard & Poor’s and Moody, respectively. The municipal bonds carry a rating of AA+ and Aa1 by Standard & Poor’s and Moody, respectively. The City’s investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The 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 City's name. The City 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 City 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 City at December 31, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$ 814,731	10.33
FNMA	2,384,527	30.23
FNMA discount note	750,390	9.51
Municipal bonds	418,598	5.31
Negotiable CD's	3,351,258	42.49
STAR Ohio	161,515	2.05
U.S. Government money market	5,907	0.08
Total	<u>\$ 7,886,926</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of December 31, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,510,314
Investments	7,886,926
Cash on hand	150
Total	<u>\$ 11,397,390</u>
 <u>Cash and investments per statement of position</u>	
Governmental activities	\$ 3,941,993
Business-type activities	7,311,729
Agency fund	143,668
Total	<u>\$ 11,397,390</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Debt service fund	<u>\$ 992,693</u>

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget required 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, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) transfer assets purchased by governmental funds to enterprise funds.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Canal Winchester. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

Real property tax	\$ 206,833,600
Public utility tangible personal property	<u>2,133,150</u>
Total assessed value	<u>\$ 208,966,750</u>

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 City and to earnings of nonresidents (except certain transients) earned in the City. The City 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 City. The City of Columbus administers and collects income taxes for the City. Payments, net of collection fees, are remitted monthly for tax receipts received by the City of Columbus in the prior month. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2012. Income tax revenue for 2012 was \$4,118,270 as reported in the fund financial statements. Income tax revenue is reported in the general fund.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2012, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2012.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Income taxes	\$ 1,065,919
Property and other local taxes	367,883
Payments in lieu of taxes	91,268
Accounts	46,634
Special assessments	29,591
Accrued interest	20,273
Due from other governments	468,322

Business-type activities:

Accounts	464,344
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Receivables have been disaggregated on the face of the BFS. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2012, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/12</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,627,260	\$ -	\$ -	\$ 1,627,260
Intangibles	<u>94,517</u>	<u>21,938</u>	<u>-</u>	<u>116,455</u>
Total capital assets, not being depreciated	<u>1,721,777</u>	<u>21,938</u>	<u>-</u>	<u>1,743,715</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,225,953	125,706	(41,900)	1,309,759
Buildings and improvements	2,444,837	-	-	2,444,837
Furniture and equipment	481,629	64,521	(7,754)	538,396
Vehicles	811,447	45,006	(88,786)	767,667
Infrastructure	<u>1,211,948</u>	<u>2,993,539</u>	<u>-</u>	<u>4,205,487</u>
Total capital assets, being depreciated	<u>6,175,814</u>	<u>3,228,772</u>	<u>(138,440)</u>	<u>9,266,146</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(302,741)	(23,565)	4,716	(321,590)
Buildings and improvements	(689,152)	(44,006)	-	(733,158)
Furniture and equipment	(197,513)	(45,233)	5,235	(237,511)
Vehicles	(497,464)	(83,833)	48,775	(532,522)
Infrastructure	<u>(22,186)</u>	<u>(89,767)</u>	<u>-</u>	<u>(111,953)</u>
Total accumulated depreciation	<u>(1,709,056)</u>	<u>(286,404)</u>	<u>58,726</u>	<u>(1,936,734)</u>
Total capital assets, being depreciated net	<u>4,466,758</u>	<u>2,942,368</u>	<u>(79,714)</u>	<u>7,329,412</u>
Governmental activities, capital assets, net	<u>\$ 6,188,535</u>	<u>\$ 2,964,306</u>	<u>\$ (79,714)</u>	<u>\$ 9,073,127</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 56,608
Security of persons and property	2,423
Transportation	183,533
Leisure time activity	<u>43,840</u>
Total depreciation expense - governmental activities	<u>\$ 286,404</u>

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2012, was as follows:

<u>Business-type activities:</u>	Balance 12/31/11	Additions	Disposals	Balance 12/31/12
<i>Capital assets, not being depreciated:</i>				
Land	\$ 913,400	\$ -	\$ -	\$ 913,400
Total capital assets, not being depreciated	<u>913,400</u>	<u>-</u>	<u>-</u>	<u>913,400</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	12,514,742	56,070	-	12,570,812
Furniture and equipment	878,008	47,650	-	925,658
Vehicles	162,664	-	-	162,664
Infrastructure	<u>53,841,087</u>	<u>118,745</u>	<u>-</u>	<u>53,959,832</u>
Total capital assets, being depreciated	<u>67,396,501</u>	<u>222,465</u>	<u>-</u>	<u>67,618,966</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(2,552,636)	(232,121)	-	(2,784,757)
Furniture and equipment	(222,435)	(43,026)	-	(265,461)
Vehicles	(95,386)	(17,526)	-	(112,912)
Infrastructure	<u>(13,516,339)</u>	<u>(1,481,177)</u>	<u>-</u>	<u>(14,997,516)</u>
Total accumulated depreciation	<u>(16,386,796)</u>	<u>(1,773,850)</u>	<u>-</u>	<u>(18,160,646)</u>
Total capital assets, being depreciated, net	<u>51,009,705</u>	<u>(1,551,385)</u>	<u>-</u>	<u>49,458,320</u>
Business-type activities capital assets, net	<u>\$ 51,923,105</u>	<u>\$ (1,551,385)</u>	<u>\$ -</u>	<u>\$ 50,371,720</u>

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Business-type activities:

Sewer	\$ 1,020,470
Water	560,754
Stormwater	<u>192,626</u>
Total depreciation expense - business-type activities	<u>\$ 1,773,850</u>

NOTE 10 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

On July 20, 2011, the City entered into a lease purchase agreement with a financial institution to assist in financing a new truck.

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements. Principal payments in 2012 totaled \$22,538. Principal and interest payments are made from the street construction and maintenance fund (a nonmajor governmental fund) and the general fund.

Capital assets consisting of equipment have been capitalized in the amount of \$70,227 in governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2012 was \$11,852, leaving a book value of \$58,375.

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2012:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2013	\$ 24,519
2014	<u>12,260</u>
Total minimum lease payments	36,779
Less: amount representing interest	<u>(1,349)</u>
Present value of future minimum lease payments	<u>\$ 35,430</u>

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In a prior year, the City entered into capital lease agreements for copiers. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$54,941. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2012 was \$20,061, leaving a current book value of \$34,880. A corresponding liability was recorded in the government-wide financial statements. Principal payments in 2012 totaled \$10,001 paid by the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2012.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2013	\$ 13,280
2014	13,280
2015	8,600
2016	<u>5,216</u>
Total future minimum lease payments	40,376
Less: amount representing interest	<u>(4,872)</u>
Present value of net minimum lease payments	<u>\$ 35,504</u>

NOTE 12 - SHORT-TERM OBLIGATIONS

The City's short-term note activity for the year ended December 31, 2012, was as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/12</u>
Governmental activities:						
Bond anticipation note	5/10/2012	1.25%	\$ -	\$ 200,000	\$ -	\$ 200,000
Total			<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>

The bond anticipation notes issued on May 10, 2012 were for roadway improvements and represent the portion of the 2012 note issuance that will be retired when the notes are refinanced on May 9, 2013 (See Note 21 for detail).

The City's bond anticipation notes are backed by the full faith and credit of the City and have a maturity of one year.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - LONG-TERM OBLIGATIONS

A. Governmental Activities

During 2012, the following changes occurred in the governmental activities long-term obligations:

Governmental activities:	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/12</u>	<u>Amounts Due in One Year</u>
<u>General obligation bonds</u>							
G.O. Special assessment bonds, 1994	7.00%	12/01/2014	\$ 95,000	\$ -	\$ (30,000)	\$ 65,000	\$ 30,000
G.O. Bonds, series 2004	4.23%	12/01/2024	1,690,000	-	(125,000)	1,565,000	130,000
Capital appreciation bonds, series 2004	11.03	12/01/2019	65,000	-	-	65,000	-
G.O. Various purpose bonds, 2008	3.00-4.50%	12/01/2028	4,355,000	-	(405,000)	3,950,000	415,000
Total general obligations bonds			<u>6,205,000</u>	<u>-</u>	<u>(560,000)</u>	<u>5,645,000</u>	<u>575,000</u>
<u>OPWC loans</u>							
#CC05B - Washington St.	0.00%	7/01/2020	352,051	-	(39,117)	312,934	39,117
#CC02D - North High St.	0.00%	7/01/2023	225,568	-	(18,797)	206,771	18,798
#CC03E - West Waterloo #1	0.00%	1/01/2024	376,028	-	(30,082)	345,946	30,082
#CC04F - West Waterloo #2	0.00%	1/01/2025	685,539	-	(50,781)	634,758	50,780
#CC04K - Columbus St	0.00%	1/01/2029	399,000	-	(22,800)	376,200	22,800
#CC06L - Thrush Drive	0.00%	1/01/2034	220,796	-	(9,813)	210,983	9,813
Total OPWC loans			<u>2,258,982</u>	<u>-</u>	<u>(171,390)</u>	<u>2,087,592</u>	<u>171,390</u>
<u>Other long-term obligations</u>							
Bond anticipation notes - series 2011	1.625%	5/10/2012	1,700,000	-	(1,700,000)	-	-
Bond anticipation notes - series 2012	1.25%	5/9/2013	-	1,500,000	-	1,500,000	1,500,000
Compensated absences	-	-	71,992	62,695	(52,966)	81,721	65,332
Lease purchase agreement	-	-	57,968	-	(22,538)	35,430	23,398
Capital lease agreements	-	-	45,505	-	(10,001)	35,504	10,831
Total other long-term obligations			<u>1,875,465</u>	<u>1,562,695</u>	<u>(1,785,505)</u>	<u>1,652,655</u>	<u>1,599,561</u>
Total governmental activities			<u>\$ 10,339,447</u>	<u>\$ 1,562,695</u>	<u>\$ (2,516,895)</u>	<u>9,385,247</u>	<u>\$ 2,345,951</u>
Less: Unamortized discount on bond issuance						<u>(7,380)</u>	
Total on statement of net assets						<u>\$ 9,377,867</u>	

Compensated Absences:

Compensated absences are reported in the statement of net position and will be paid from the fund from which the employees' salaries are paid which will primarily be the general fund and the street construction and maintenance fund (a nonmajor governmental fund).

Bond Anticipation Notes:

The City issued \$1,700,000 (\$1,500,000 in long-term and \$200,000 in short-term) in roadway improvement notes on May 10, 2012. The notes bear an interest rate of 1.250% and mature on May 9, 2013. The notes were issued to retire the bond anticipation notes series 2011 and were for the purpose of constructing, resurfacing, widening and improving Rutherford Drive, Robinett Way and Eichorn Street.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The portion of the notes that were refinanced prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as a long-term liability. The portion of the 2012 note issues that will be retired on May 9, 2013 (see Note 21 for detail) have been reported as short-term notes payable (see Note 12 for detail). The notes are backed by the full faith and credit of the City.

Lease Purchase Agreements:

See Note 10 for detail on the lease purchase agreements.

Capital Lease Agreements:

See Note 11 for detail on the capital lease agreements.

General Obligation Bonds:

On December 1, 1994, the City 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 City 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 City issued \$5,790,000 in general obligation various purpose bonds to currently refund the 1993 general obligation bonds, to currently refund notes maturing in 2008, and to advance refund the 1999 general obligation bonds. The refunded debt is considered defeased (in-substance).

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

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

Year Ended December 31,	General Obligation Bonds Payable		
	Principal	Interest	Total
2013	\$ 575,000	\$ 215,333	\$ 790,333
2014	525,000	196,203	721,203
2015	505,000	178,208	683,208
2016	520,000	161,348	681,348
2017	540,000	143,650	683,650
2018 - 2022	1,740,000	717,313	2,457,313
2023 - 2027	1,080,000	158,975	1,238,975
2028	160,000	7,200	167,200
Total	<u>\$ 5,645,000</u>	<u>\$ 1,778,230</u>	<u>\$ 7,423,230</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.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ended December 31,	OPWC Loans Payable		
	Principal	Interest	Total
2013	\$ 171,390	\$ -	\$ 171,390
2014	171,390	-	171,390
2015	171,390	-	171,390
2016	171,390	-	171,390
2017	171,390	-	171,390
2018 - 2022	778,713	-	778,713
2023 - 2027	353,941	-	353,941
2028 - 2032	83,265	-	83,265
2033 - 2034	14,723	-	14,723
Total	<u>\$ 2,087,592</u>	<u>\$ -</u>	<u>\$ 2,087,592</u>

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2012, the City's total debt margin was \$16,101,425 and the unvoted debt margin was \$11,375,848.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-Type Activities

During 2012, the following changes occurred in the business-type long-term obligations:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/12</u>	<u>Due in One Year</u>
<u>Revenue bonds</u>							
Sewer mortgage revenue bonds	2.50-4.50%	12/01/2024	\$ 4,095,000	\$ -	\$ (250,000)	\$ 3,845,000	\$ 255,000
Total revenue bonds			<u>4,095,000</u>	<u>-</u>	<u>(250,000)</u>	<u>3,845,000</u>	<u>255,000</u>
<u>OPWC loans</u>							
#CT212 - Hocking St.	0.00%	1/01/2012	2,230	-	(2,230)	-	-
#CC808 - Columbus & Washington	3.00%	1/01/2016	26,473	-	(5,581)	20,892	5,749
#CC01C - Sanitary sewer rehab	3.00%	1/01/2024	148,175	-	(9,931)	138,244	10,232
Total OPWC loans			<u>176,878</u>	<u>-</u>	<u>(17,742)</u>	<u>159,136</u>	<u>15,981</u>
<u>OWDA loans</u>							
#3081 - Elevated storage tank construction	6.02%	7/01/2014	121,556	-	(46,649)	74,907	49,457
#1502 - Water improvements	8.26%	1/01/2014	434,280	-	(164,166)	270,114	177,726
#4523 - Water treatment plant construction	2.75%	7/01/2027	3,012,860	-	(152,216)	2,860,644	156,430
#4672 - Well field & raw water line	2.75%	7/01/2027	710,412	-	(35,891)	674,521	36,886
#5772 - Wastewater system upgrades	2.12%	7/1/2031	1,015,385	30,934	(44,810)	1,001,509	45,765
Total OWDA loans			<u>5,294,493</u>	<u>30,934</u>	<u>(443,732)</u>	<u>4,881,695</u>	<u>466,264</u>
<u>Other long-term obligations:</u>							
Compensated absences			62,780	63,474	(47,798)	78,456	59,393
Total business-type activities			<u>\$ 9,629,151</u>	<u>\$ 94,408</u>	<u>\$ (759,272)</u>	<u>\$ 8,964,287</u>	<u>\$ 796,638</u>

Compensated Absences:

Compensated absences will be paid from the water and sewer enterprise funds.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Revenue Bonds:

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

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

Year Ended December 31,	Revenue Bonds Payable		
	Principal	Interest	Total
2013	\$ 255,000	\$ 161,390	\$ 416,390
2014	265,000	152,337	417,337
2015	275,000	142,665	417,665
2016	285,000	132,352	417,352
2017	300,000	121,380	421,380
2018 - 2022	1,680,000	408,330	2,088,330
2023 - 2024	785,000	53,326	838,326
Total	<u>\$ 3,845,000</u>	<u>\$ 1,171,780</u>	<u>\$ 5,016,780</u>

The City 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 41.48 percent of net revenues. The total principal and interest remaining to be paid on the sewer mortgage revenue bonds is \$5,016,780. Principal and interest paid for the current year and total customer net revenues were \$419,890 and \$1,012,152, respectively.

OPWC Loans:

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

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

Year Ended December 31,	OPWC Loans Payable		
	Principal	Interest	Total
2013	\$ 15,981	\$ 4,655	\$ 20,636
2014	16,464	4,172	20,636
2015	16,961	3,675	20,636
2016	14,307	3,162	17,469
2017	11,526	2,777	14,303
2018 - 2022	63,071	8,444	71,515
2023 - 2024	20,826	628	21,454
Total	<u>\$ 159,136</u>	<u>\$ 27,513</u>	<u>\$ 186,649</u>

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

OWDA Loans:

The City has entered into debt financing arrangements through the Ohio Water Department Authority (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, 2012, the City has outstanding borrowings of \$4,881,695. 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.

OWDA loan #5772 has been excluded from the following calculations because the loan is currently “open” meaning the final disbursements have not yet been made from OWDA. The City has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through 2027. Annual principal and interest payments on the loans are expected to require 32.68 percent of net revenues and 16.23 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$4,719,194. Principal and interest paid for the current year were \$543,216, total net revenues were \$1,662,439 and total revenues were \$3,347,937.

The annual requirements to retire governmental activities debt are as follows. OWDA loan # 5772 – wastewater system upgrades is currently “open” meaning the final disbursements have not yet been made from OWDA; therefore, future debt service requirements have not been included finalized and are not presented in the schedule of future debt service below.

Year Ended <u>December 31,</u>	<u>OWDA Loans Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 420,499	\$ 122,718	\$ 543,217
2014	316,507	99,708	416,215
2015	204,169	85,043	289,212
2016	209,822	79,390	289,212
2017	215,632	73,580	289,212
2018 - 2022	1,171,097	274,966	1,446,063
2023 - 2027	<u>1,342,460</u>	<u>103,603</u>	<u>1,446,063</u>
Total	<u>\$ 3,880,186</u>	<u>\$ 839,008</u>	<u>\$ 4,719,194</u>

NOTE 14 - RISK MANAGEMENT

On January 1, 1992, the City joined the Central Ohio Health Care Consortium (the “Pool”), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the Pool. The Pool consists of nine political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. Dental, vision, and life insurance coverage is provided by Delta Dental, Vision Service Plan, and Standard Insurance Company, respectively. The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, and to purchase excess loss insurance for the Pool. The Pool also entered into an agreement with an independent plan supervisor to oversee the day to day operations of the Pool, such as administration and approval of submitted claims, the payment of operating expenses incurred by the Pool and the preparation of a monthly activity report which is presented to the Board. The funds held by the Pool are maintained in a bank trust account established for the sole purpose and benefit of the Pool operations. Financial information for the Pool can be obtained from Matthew Peoples, Chair, COHCC, 36 South High Street, Canal Winchester, Ohio 43110. The City’s payments to the Pool for insurance coverage were \$338,713 during 2012.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - RISK MANAGEMENT - (Continued)

The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, to establish and maintain sufficient claim reserves and to purchase excess loss insurance for the Pool. The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Pool for medical claims paid for an individual in excess of \$175,000 with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims paid in excess of \$12,755,088 to a maximum of \$1,000,000 annually. In the event that the losses of the Pool in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. No such loss has occurred in the past four years. In the event that an entity should withdraw from the plan, the withdrawing member is required to either reimburse the Pool for claims paid on its behalf or the member must pay the claims directly. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years and there was no significant change in insurance coverage from the prior year.

NOTE 15 - PENSION PLANS

Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional 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.

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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The City's contribution rate for 2012 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$161,275, \$152,525, and \$144,231, respectively; 86.58% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2012 were \$8,574 made by the City and \$6,124 made by the plan members.

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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 administered in accordance with, Internal Revenue Code Section 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 2012, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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 City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$68,969, \$65,941, and \$79,819, respectively; 86.58% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 73,645
Net adjustment for revenue accruals	(379,811)
Net adjustment for expenditure accruals	(260,061)
Net adjustment for other sources/uses	(200,405)
Adjustment for encumbrances	<u>311,700</u>
GAAP basis	<u>\$ (454,932)</u>

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2012.

B. Litigation

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

NOTE 19 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 132,377
Other governmental	<u>527,053</u>
Total	<u>\$ 659,430</u>

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CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 20 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General Fund	Debt Service Fund	Grant Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 1,426	\$ -	\$ -	\$ 33,552	\$ 34,978
Prepays	<u>21,224</u>	<u>-</u>	<u>-</u>	<u>1,505</u>	<u>22,729</u>
Total nonspendable	<u>22,650</u>	<u>-</u>	<u>-</u>	<u>35,057</u>	<u>57,707</u>
Restricted:					
General government	-	-	-	313,380	313,380
Capital projects	-	-	31,691	6,347	38,038
Transportation	-	-	-	559,145	559,145
Leisure time activity	-	-	-	80,546	80,546
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,650</u>	<u>12,650</u>
Total restricted	<u>-</u>	<u>-</u>	<u>31,691</u>	<u>972,068</u>	<u>1,003,759</u>
Assigned:					
Debt service	-	28,897	-	-	28,897
Security of persons and property	3,943	-	-	-	3,943
Public health and welfare	20,344	-	-	-	20,344
Transportation	33	-	-	-	33
Community environment	1,115	-	-	-	1,115
Leisure time activity	28	-	-	-	28
Subsequent year appropriations	76,034	-	-	-	76,034
General government	<u>106,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,914</u>
Total assigned	<u>208,411</u>	<u>28,897</u>	<u>-</u>	<u>-</u>	<u>237,308</u>
Unassigned	<u>2,516,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,516,925</u>
Total fund balances	<u>\$ 2,747,986</u>	<u>\$ 28,897</u>	<u>\$ 31,691</u>	<u>\$ 1,007,125</u>	<u>\$ 3,815,699</u>

NOTE 21 - SIGNIFICANT SUBSEQUENT EVENT

On May 9, 2013, the City issued a \$1,500,000 bond anticipation note to retire the \$1,700,000 anticipation note issued on May 10, 2012 (See Notes 12 and 13). This note bears an interest rate of 1.125% and matures on May 8, 2014.

SUPPLEMENTARY DATA

**CITY OF CANAL WINCHESTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction	20.205	90985	\$ 1,943,692
Total Highway Planning and Construction			<u>1,943,692</u>
Total U.S. Department of Transportation			<u>1,943,692</u>
Total Federal Financial Assistance			<u>\$ 1,943,692</u>

(A) The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canal Winchester, Franklin County, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Canal Winchester's basic financial statements and have issued our report thereon dated May 30, 2013, wherein we noted as discussed in Note 3, the City of Canal Winchester adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows and Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of Canal Winchester's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City of Canal Winchester's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City of Canal Winchester's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of Council and Mayor
City of Canal Winchester

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City of Canal Winchester's management in a separate letter dated May 30, 2013.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City of Canal Winchester's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of Canal Winchester's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Julian & Grube, Inc.
May 30, 2013



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**Independent Auditor's Report on Compliance With Requirements Applicable to
Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

City of Canal Winchester
Franklin County
36 South High Street
Canal Winchester, OH 43110-1213

To the Members of Council and Mayor:

Report on Compliance for Each Major Federal Program

We have audited the City of Canal Winchester's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Canal Winchester's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the City of Canal Winchester's major federal program.

Management's Responsibility

The City of Canal Winchester's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the City of Canal Winchester's compliance for each of the City of Canal Winchester's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Canal Winchester's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City of Canal Winchester's major program. However, our audit does not provide a legal determination of the City of Canal Winchester's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Canal Winchester complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Members of Council and Mayor
City of Canal Winchester

Report on Internal Control Over Compliance

The City of Canal Winchester's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City of Canal Winchester's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City of Canal Winchester's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
May 30, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness reported for the major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Program:	Highway Planning and Construction, CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CITY OF CANAL WINCHESTER

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 18, 2013**