

**CITY OF CANAL WINCHESTER
FRANKLIN COUNTY**

REGULAR AUDIT

JANUARY 1, 2014 – DECEMBER 31, 2014





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 Wilson, Shannon & Snow, Inc., for the audit period January 1, 2014 through December 31, 2014. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

September 29, 2015

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

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

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 (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City'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'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'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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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1-800-523-6611
FAX (740) 345-5635

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, on our consideration of the City'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's internal control over financial reporting and compliance.



Newark, Ohio

June 30, 2015

CITY OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

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, 2014. 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 2014 are as follows:

- The total net position of the City increased \$3,059,314 from the 2013 net position. Net position of governmental activities increased \$3,074,092 or 36.49% over the 2013 balance of \$8,425,443 and net position of business-type activities decreased \$14,778 or 0.03% from 2013's net position.
- General revenues accounted for \$5,969,835 of total governmental activities revenue. Program specific revenues accounted for \$2,595,437 or 30.30% of total governmental activities revenue.
- The City had \$5,491,180 in expenses related to governmental activities; \$2,595,437 of these expenses was offset by program specific charges for services and sales, grants or contributions. The remaining expenses of the governmental activities of \$2,895,743 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,969,835.
- The general fund had revenues and other financing sources of \$6,945,861 in 2014. This represents an increase of \$75,233 from 2013's revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$6,697,614 in 2014, increased \$539,036 from 2013's expenditures and other financing uses. The net increase in fund balance for the general fund was \$248,247 or 7.17%.
- The debt service fund had revenues other financing sources of \$1,359,880 in 2014. The expenditures of the debt service fund, totaled \$1,352,486 in 2014. The net increase in fund balance for the debt service fund was \$7,394.
- The grant project fund had revenues of \$1,214,877 in 2014. The expenditures of the grant project fund, totaled \$1,247,820 in 2014. The net decrease in fund balance for the grant project fund was \$32,943.
- Net position for the business-type activities, which are made up of the water, sewer, and storm water enterprise funds, decreased in 2014 by \$14,778.
- In the general fund, the actual revenues and other financing sources came in \$379,861 higher than they were in the final budget and actual expenditures and other financing uses were \$398,362 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, 2014
(UNAUDITED)**

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 2014?" 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.

CITY OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

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.

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 (deficit) 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 28-60 of this report.

CITY OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

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 2014 and 2013.

	Net Position					
	Governmental	Business-type	Governmental	Business-type	Total	Total
	Activities	Activities	Activities	Activities		
	2014	2014	2013	2013	2014	2013
Assets						
Current and other assets	\$ 7,356,800	\$ 9,285,740	\$ 6,768,227	\$ 8,321,586	\$ 16,642,540	\$ 15,089,813
Nondepreciable capital assets	1,893,609	913,400	1,769,717	913,400	2,807,009	2,683,117
Depreciable capital assets, net	<u>10,110,311</u>	<u>47,292,882</u>	<u>8,546,136</u>	<u>48,774,577</u>	<u>57,403,193</u>	<u>57,320,713</u>
Capital assets, net	<u>12,003,920</u>	<u>48,206,282</u>	<u>10,315,853</u>	<u>49,687,977</u>	<u>60,210,202</u>	<u>60,003,830</u>
Total assets	<u>19,360,720</u>	<u>57,492,022</u>	<u>17,084,080</u>	<u>58,009,563</u>	<u>76,852,742</u>	<u>75,093,643</u>
Deferred outflows of resources	<u>48,735</u>	<u>133,833</u>	<u>53,649</u>	<u>147,329</u>	<u>182,568</u>	<u>200,978</u>
Liabilities						
Current and other liabilities	530,492	171,848	665,434	181,650	702,340	847,084
Long-term liabilities:						
Due within one year	1,061,007	1,444,486	1,232,138	1,527,831	2,505,493	2,759,969
Due in more than one year	<u>5,730,182</u>	<u>7,593,474</u>	<u>6,384,057</u>	<u>8,016,586</u>	<u>13,323,656</u>	<u>14,400,643</u>
Total liabilities	<u>7,321,681</u>	<u>9,209,808</u>	<u>8,281,629</u>	<u>9,726,067</u>	<u>16,531,489</u>	<u>18,007,696</u>
Deferred inflows of resources	<u>588,239</u>	<u>-</u>	<u>430,657</u>	<u>-</u>	<u>588,239</u>	<u>430,657</u>
Net Position						
Net investment in capital assets	5,174,366	39,420,052	2,568,538	40,386,961	44,594,418	42,955,499
Restricted:						
Capital projects	37,855	-	12,332	-	37,855	12,332
Transportation projects	745,662	-	693,756	-	745,662	693,756
Leisure time activity	70,833	-	61,099	-	70,833	61,099
General government	577,253	-	385,790	-	577,253	385,790
Public health	12,650	-	12,650	-	12,650	12,650
Unrestricted	<u>4,880,916</u>	<u>8,995,995</u>	<u>4,691,278</u>	<u>8,043,864</u>	<u>13,876,911</u>	<u>12,735,142</u>
Total net position	<u>\$ 11,499,535</u>	<u>\$ 48,416,047</u>	<u>\$ 8,425,443</u>	<u>\$ 48,430,825</u>	<u>\$ 59,915,582</u>	<u>\$ 56,856,268</u>

Total assets and deferred outflows exceeded total liabilities and deferred inflows of resources in 2014 by \$59,915,582, compared to the 2013 balance of \$56,856,268, an increase of \$3,059,314.

CITY OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

The following table shows the changes in net position for 2014 and 2013.

	Change in Net Position					
	Governmental	Business-type	Governmental	Business-type	Total	Total
	Activities	Activities	Activities	Activities	2014	2013
	2014	2014	2013	2013		
Revenues						
Program revenues:						
Charges for services and sales	\$ 930,065	\$ 3,872,695	\$ 782,418	\$ 3,427,522	\$ 4,802,760	\$ 4,209,940
Operating grants and contributions	395,704	-	341,112	-	395,704	341,112
Capital grants and contributions	1,269,668	-	1,064,084	-	1,269,668	1,064,084
Total program revenues	2,595,437	3,872,695	2,187,614	3,427,522	6,468,132	5,615,136
General revenues:						
Property taxes	371,588	-	362,386	-	371,588	362,386
Income taxes	5,006,182	-	5,224,548	-	5,006,182	5,224,548
Lodging taxes	64,206	-	55,400	-	64,206	55,400
Payment in lieu of taxes	197,903	-	45,634	-	197,903	45,634
Grants and entitlements	170,093	-	340,969	-	170,093	340,969
Investment earnings	89,007	-	70,940	7	89,007	70,947
Decrease in fair value of investments	4,680	-	(81,824)	-	4,680	(81,824)
Miscellaneous	66,176	26,788	284,022	24,270	92,964	308,292
Total general revenues	5,969,835	26,788	6,302,075	24,277	5,996,623	6,326,352
Total revenues	8,565,272	3,899,483	8,489,689	3,451,799	12,464,755	11,941,488
Program Expenses:						
General government	2,083,640	-	1,957,823	-	2,083,640	1,957,823
Security of persons and property	1,071,964	-	1,116,511	-	1,071,964	1,116,511
Public health and welfare	112,436	-	102,622	-	112,436	102,622
Transportation	887,948	-	902,988	-	887,948	902,988
Community environment	615,682	-	532,531	-	615,682	532,531
Leisure time activity	529,399	-	479,583	-	529,399	479,583
Interest and fiscal charges	190,111	-	225,512	-	190,111	225,512
Bond and note issuance costs	-	-	40,256	-	-	40,256
Sewer operating	-	1,934,816	-	2,004,964	1,934,816	2,004,964
Water operating	-	1,624,497	-	1,530,858	1,624,497	1,530,858
Storm water operating	-	354,948	-	326,580	354,948	326,580
Total expenses	5,491,180	3,914,261	5,357,826	3,862,402	9,405,441	9,220,228
Increase (decrease) in net position before transfers	3,074,092	(14,778)	3,131,863	(410,603)	3,059,314	2,721,260
Transfers	-	-	(39,699)	39,699	-	-
Increase (decrease) in net position	3,074,092	(14,778)	3,092,164	(370,904)	3,059,314	2,721,260
Net position beginning of year	8,425,443	48,430,825	5,333,279	48,801,729	56,856,268	54,135,008
Net position end of year	\$ 11,499,535	\$ 48,416,047	\$ 8,425,443	\$ 48,430,825	\$ 59,915,582	\$ 56,856,268

CITY OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Governmental Activities

Governmental activities net position increased \$3,074,092 in 2014 compared to a \$3,092,164 increase in net position in 2013. This is a result of increasing program revenues and increasing expenditures.

Security of persons and property which primarily supports the operations of the police and fire department accounted for \$1,071,964 or 19.52% of the total expenses of the City. General government expenses totaled \$2,083,640. General government expenses were partially funded by \$749,080 in direct charges to users of the services and \$3,400 in operating grants and contributions.

The State and federal government contributed to the City a total of \$395,704 in operating grants and contributions and \$1,269,668 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Capital grants and contributions increased 19.32 percent from 2013 due to the City's Gender Road projects.

General revenues totaled \$5,969,835 and amounted to 69.70% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$5,377,770. 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 \$170,093.

The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2014 compared to 2013. 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

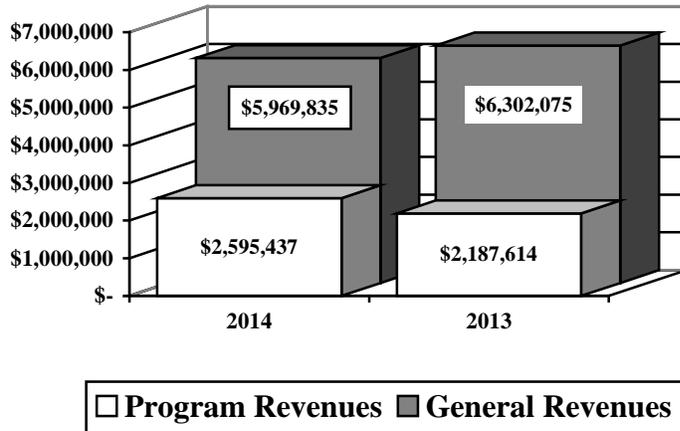
	Governmental Activities			
	2014		2013	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program Expenses:				
General government	\$ 2,083,640	\$ 1,331,160	\$ 1,957,823	\$ 1,298,871
Security of persons and property	1,071,964	1,071,964	1,116,511	1,116,511
Public health and welfare	112,436	112,436	102,622	102,622
Transportation	887,948	(774,024)	902,988	(502,208)
Community environment	615,682	615,682	532,531	532,531
Leisure time activity	529,399	348,414	479,583	356,117
Interest and fiscal charges	190,111	190,111	225,512	225,512
Bond and note issuance costs	<u>-</u>	<u>-</u>	<u>40,256</u>	<u>40,256</u>
Total	<u>\$ 5,491,180</u>	<u>\$ 2,895,743</u>	<u>\$ 5,357,826</u>	<u>\$ 3,170,212</u>

CITY OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

The dependence upon general revenues for governmental activities is apparent, with 52.73% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2014.

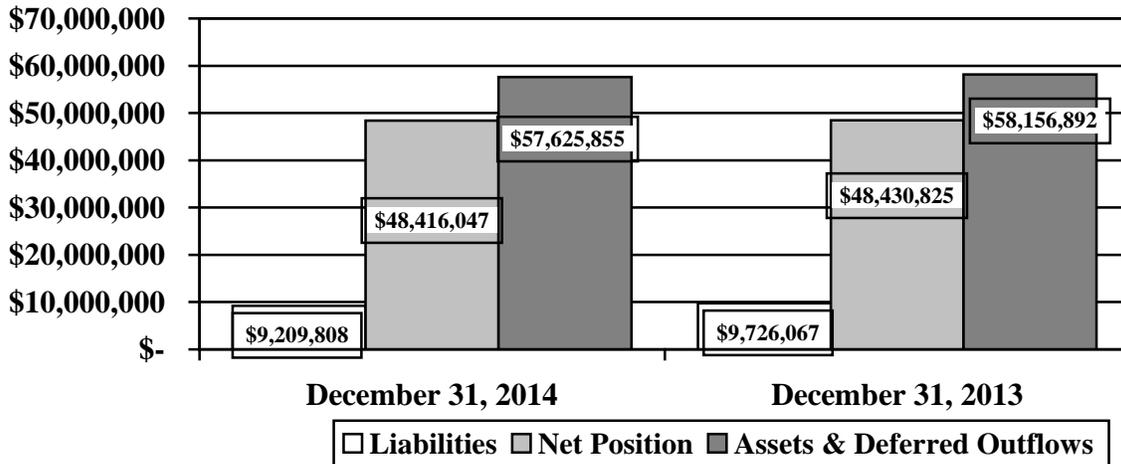
Governmental Activities – General and Program Revenues



Business-type Activities

Business-type activities include the water, sewer, and storm water enterprise funds. These programs had program revenues of \$3,872,695 and expenses of \$3,914,261 for 2014. The graph below shows the business-type activities assets, deferred outflows, 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, 2014
(UNAUDITED)

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 pages 19) reported a combined fund balance of \$5,027,457 which is \$447,951 above last year's total of \$4,579,506. The schedule below indicates the fund balances (deficit) and the total change in fund balances (deficit) as of December 31, 2014 for all major and non-major governmental funds.

	Fund Balances (Deficit) 12/31/2014	Fund Balances 12/31/2013	Increase (decrease)
Major funds:			
General fund	\$ 3,708,283	\$ 3,460,036	\$ 248,247
Debt service fund	42,100	34,706	7,394
Grant project fund	(26,958)	5,985	(32,943)
Other nonmajor governmental funds	<u>1,304,032</u>	<u>1,078,779</u>	<u>225,253</u>
Total	<u>\$ 5,027,457</u>	<u>\$ 4,579,506</u>	<u>\$ 447,951</u>

General Fund

The City's general fund balance increased \$248,247. The table that follows assists in illustrating the revenues of the general fund.

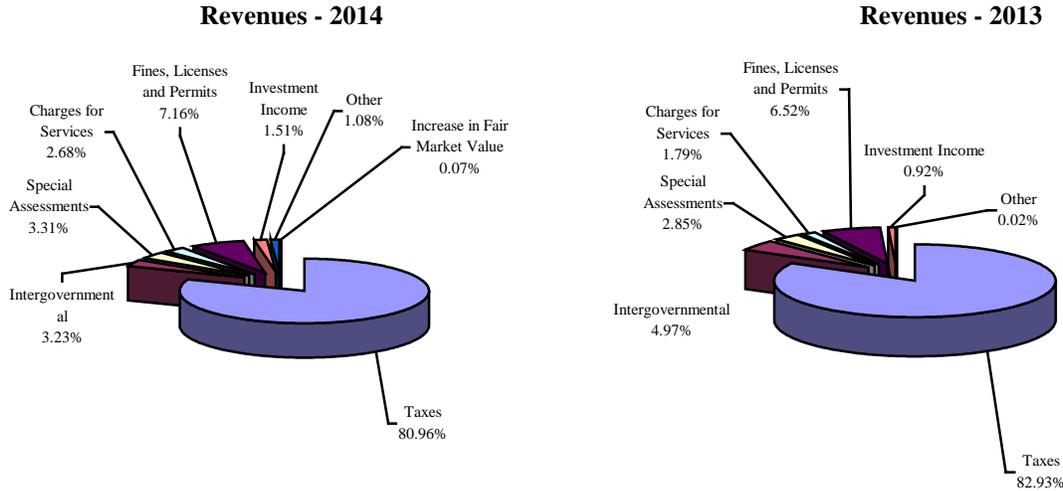
	2014 Amount	2013 Amount	Percentage Change
Revenues			
Taxes	\$ 5,347,626	\$ 5,500,359	(2.78) %
Intergovernmental	213,299	329,332	(35.23) %
Special assessments	218,432	188,768	15.71 %
Charges for services	177,210	118,891	49.05 %
Fines, licenses and permits	472,877	432,599	9.31 %
Investment income	99,901	60,878	64.10 %
Increase (decrease) in FMV of investments	4,680	(81,824)	(105.72) %
Other	<u>71,639</u>	<u>80,643</u>	(11.17) %
Total	<u>\$ 6,605,664</u>	<u>\$ 6,629,646</u>	(0.36) %

The City's largest revenue source in the general fund was tax revenue, which represents 80.96% of all general fund revenue. Tax revenues decreased 2.78% due primarily to a decrease in income tax collections.

CITY OF CANAL WINCHESTER, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

The graphs below show a comparison of revenues for 2014 and 2013:



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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,054,210	\$ 2,022,798	1.55 %
Security of persons and property	1,071,964	1,116,277	(3.97) %
Public health and welfare	112,436	102,622	9.56 %
Transportation	754,584	511,986	47.38 %
Community environment	616,951	533,318	15.68 %
Leisure time activity	429,940	416,791	3.15 %
Capital outlay	267,813	202,588	32.20 %
Debt service	30,248	15,968	89.43 %
Total	<u>\$ 5,338,146</u>	<u>\$ 4,922,348</u>	8.45 %

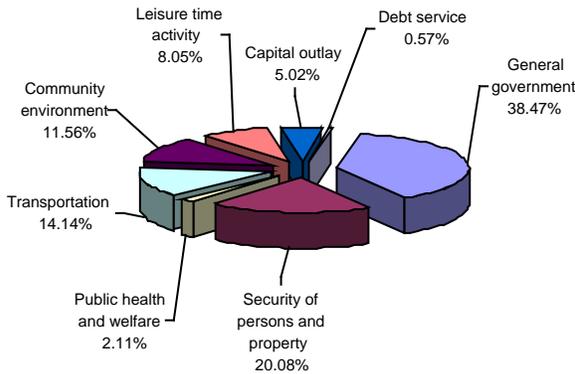
General government expenditures consist of various departments that service the government as a whole. General government expenditures increased 1.55% over 2013.

CITY OF CANAL WINCHESTER, OHIO

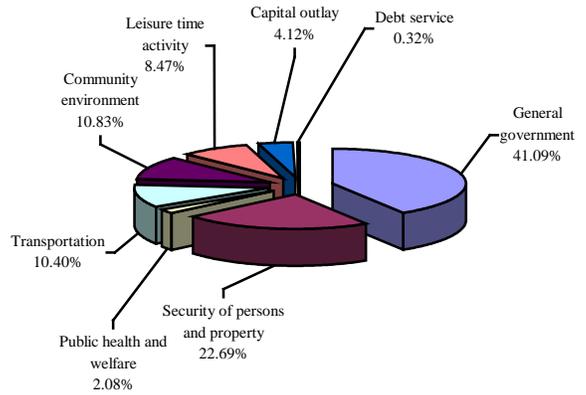
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

The graphs below show a comparison of revenues for 2014 and 2013:

Expenditures - 2014



Expenditures - 2013



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 \$379,861 higher than they were in the final budget and actual expenditures and other financing uses were \$398,362 less than the amount in the final budget. Original budgeted revenues and other financing sources of \$6,552,905 were \$162,366 less than the final budget. Budgeted expenditures and other financing uses increased \$786,889 from an original budget of \$6,812,247 to a final budget of \$7,599,136.

Debt Service Fund

The debt service fund had revenues other financing sources of \$1,359,880 in 2014. The expenditures of the debt service fund, totaled \$1,352,486 in 2014. The net increase in fund balance for the debt service fund was \$7,394.

Grant Project Fund

The grant project fund had revenues of \$1,214,877 in 2014. The expenditures of the grant project fund, totaled \$1,247,820 in 2014. The net decrease in fund balance for the grant project fund was \$32,943.

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, 2014
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

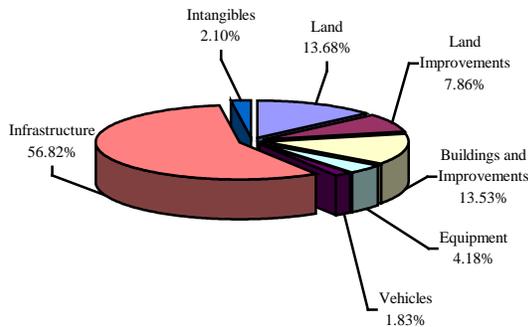
At the end of 2014, the City had \$60,210,202 (net of accumulated depreciation) invested in land, intangibles, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Of this total, \$12,003,920 was reported in governmental activities and \$48,206,282 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2014 balances compared to 2013.

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

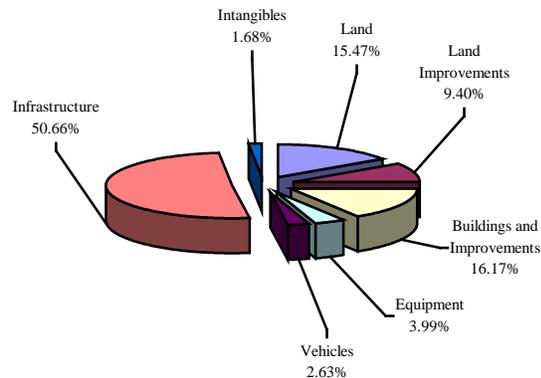
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 1,641,602	\$ 1,596,102	\$ 913,400	\$ 913,400	\$ 2,555,002	\$ 2,509,502
Intangibles	252,007	173,615	-	-	252,007	173,615
Land improvements	943,180	969,512	-	-	943,180	969,512
Buildings and improvements	1,624,085	1,668,091	9,321,033	9,552,979	10,945,118	11,221,070
Equipment	501,260	411,782	685,776	631,335	1,187,036	1,043,117
Vehicles	220,265	271,646	169,722	40,096	389,987	311,742
Infrastructure	6,821,521	5,225,105	37,116,351	38,550,167	43,937,872	43,775,272
Totals	<u>\$ 12,003,920</u>	<u>\$ 10,315,853</u>	<u>\$ 48,206,282</u>	<u>\$ 49,687,977</u>	<u>\$ 60,210,202</u>	<u>\$ 60,003,830</u>

The following graphs show the breakdown of governmental capital assets by category for 2014 and 2013.

Capital Assets - Governmental Activities 2014



Capital Assets - Governmental Activities 2013



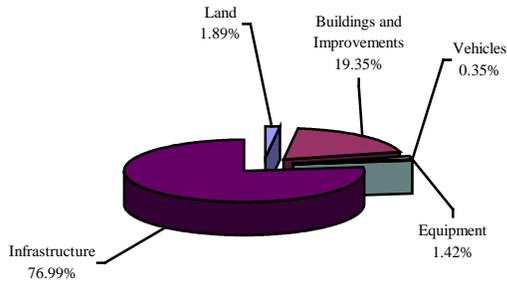
The City's largest governmental capital asset category is infrastructure. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 56.82% of the City's total governmental capital assets.

CITY OF CANAL WINCHESTER, OHIO

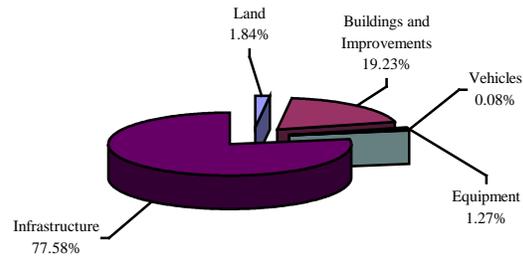
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

The following graphs show the breakdown of business-type capital assets by category for 2014 and 2013.

Capital Assets - Business - Type Activities 2014



Capital Assets - Business - Type Activities 2013



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 76.99% of the City's total business-type capital assets.

Debt Administration

The City had the following debt obligations outstanding at December 31, 2014 and 2013:

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 4,615,000	\$ 5,155,000
OPWC loans	1,744,812	1,916,202
Bond anticipation notes	450,000	700,000
Lease purchase agreement	36,382	12,032
Capital lease obligation	<u>38,601</u>	<u>24,673</u>
Total debt obligations	<u>\$ 6,884,795</u>	<u>\$ 7,807,907</u>
	<u>Business-type Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenue bonds	\$ 3,015,000	\$ 3,280,000
Bond anticipation notes	800,000	800,000
OPWC loans	984,487	948,251
OWDA loans	4,059,253	4,420,094
Lease purchase agreement	54,123	-
Capital lease obligation	<u>7,200</u>	<u>-</u>
Total debt obligations	<u>\$ 8,920,063</u>	<u>\$ 9,448,345</u>

See Notes 13 and 14 to the basic financial statements for detail on the City's debt obligations.

CITY OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

Economic Factors and Next Year's Budget and Rates

The City of Canal Winchester's financial condition has continued to improve over the past four years as city leaders continue to closely monitor the revenue and expenditures. Income tax collections, the city's primary source of General Fund revenue, were 6.3% over projections in 2014. The increased revenue has given the city the opportunity to plan for future construction projects and continue to provide a high level of service to its residents.

Local Government funding has remained steady over the past three years, after reductions were enacted due to budget shortfalls at the State level and is expected to be consistent in 2015. Local Government funding will continue to be a target for cuts in the future and is being monitored by the city.

Legislation regarding the uniformity of municipal income taxes throughout the State was passed by the Ohio Legislature in 2014. This legislation will severely impact the city's control over its income tax and cause significant revenue loss for the city. The city is forecasting a minimal impact in 2015 but much larger decreases in funding for future years. These losses will directly impact city services which are currently being reviewed by city administration.

In addition, the following items were taken into consideration during preparation of the 2015 budget:

- Unemployment rates as of December 2014 (latest available) in Franklin and Fairfield County are 3.6% and 3.9%, respectively. These rates are both lower than the state average of 4.8% and national average of 5.6%.
- Ohio's estate tax was repealed effective January 1, 2013. This represents an average yearly revenue loss of \$100,000 for the city.
- Interest rates continue to be lower than historical levels.
- Development revenue will remain consistent as construction remains steady.
- Two major construction projects involving city facilities' will begin during 2015.

The 2015 budget reflects the city's continued effort to practice conservative budgetary practices in order to preserve a solid financial position in the future.

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, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 4,972,447	\$ 8,847,658	\$ 13,820,105
Receivables:			
Income taxes.	1,226,533	-	1,226,533
Property and other taxes.	394,369	-	394,369
Payment in lieu of taxes	213,148	-	213,148
Accounts.	45,481	378,136	423,617
Special assessments	111,987	-	111,987
Accrued interest	13,994	-	13,994
Due from other governments.	284,507	-	284,507
Materials and supplies inventory.	39,026	17,958	56,984
Prepayments	55,308	41,988	97,296
Capital assets:			
Non-depreciable capital assets.	1,893,609	913,400	2,807,009
Depreciable capital assets, net.	10,110,311	47,292,882	57,403,193
Total capital assets, net.	<u>12,003,920</u>	<u>48,206,282</u>	<u>60,210,202</u>
Total assets.	<u>19,360,720</u>	<u>57,492,022</u>	<u>76,852,742</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	48,735	133,833	182,568
Total deferred outflows of resources	<u>48,735</u>	<u>133,833</u>	<u>182,568</u>
Liabilities:			
Accounts payable.	125,445	75,946	201,391
Contracts payable.	58,466	-	58,466
Accrued wages and benefits payable	10,171	5,235	15,406
Due to other governments	169,967	24,563	194,530
Accrued interest payable	16,443	66,104	82,547
Note payable.	150,000	-	150,000
Long-term liabilities:			
Due within one year	1,061,007	1,444,486	2,505,493
Due in more than one year.	5,730,182	7,593,474	13,323,656
Total liabilities	<u>7,321,681</u>	<u>9,209,808</u>	<u>16,531,489</u>
Deferred inflows of resources:			
Property taxes levied for the next year.	375,091	-	375,091
Payment in lieu of taxes levied for the next year.	213,148	-	213,148
Total deferred inflows of resources	<u>588,239</u>	<u>-</u>	<u>588,239</u>
Net position:			
Net investment in capital assets	5,174,366	39,420,052	44,594,418
Restricted for:			
Capital projects	37,855	-	37,855
Transportation projects	745,662	-	745,662
Leisure time activity	70,833	-	70,833
General government	577,253	-	577,253
Public health	12,650	-	12,650
Unrestricted	4,880,916	8,995,995	13,876,911
Total net position	<u>\$ 11,499,535</u>	<u>\$ 48,416,047</u>	<u>\$ 59,915,582</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,083,640	\$ 749,080	\$ 3,400	\$ -
Security of persons and property	1,071,964	-	-	-
Public health and welfare	112,436	-	-	-
Transportation	887,948	-	392,304	1,269,668
Community environment	615,682	-	-	-
Leisure time activity	529,399	180,985	-	-
Interest and fiscal charges	190,111	-	-	-
Total governmental activities	<u>5,491,180</u>	<u>930,065</u>	<u>395,704</u>	<u>1,269,668</u>
Business-type activities:				
Sewer	1,934,816	2,174,935	-	-
Water	1,624,497	1,467,647	-	-
Storm Water	354,948	230,113	-	-
Total business-type activities	<u>3,914,261</u>	<u>3,872,695</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 9,405,441</u>	<u>\$ 4,802,760</u>	<u>\$ 395,704</u>	<u>\$ 1,269,668</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

Increase in fair value of investments.

Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year.

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
\$ (1,331,160)	\$ -	\$ (1,331,160)
(1,071,964)	-	(1,071,964)
(112,436)	-	(112,436)
774,024	-	774,024
(615,682)	-	(615,682)
(348,414)	-	(348,414)
(190,111)	-	(190,111)
<u>(2,895,743)</u>	<u>-</u>	<u>(2,895,743)</u>
-	240,119	240,119
-	(156,850)	(156,850)
-	(124,835)	(124,835)
<u>-</u>	<u>(41,566)</u>	<u>(41,566)</u>
<u>(2,895,743)</u>	<u>(41,566)</u>	<u>(2,937,309)</u>
371,588	-	371,588
5,006,182	-	5,006,182
64,206	-	64,206
197,903	-	197,903
170,093	-	170,093
89,007	-	89,007
4,680	-	4,680
66,176	26,788	92,964
<u>5,969,835</u>	<u>26,788</u>	<u>5,996,623</u>
3,074,092	(14,778)	3,059,314
8,425,443	48,430,825	56,856,268
<u>\$ 11,499,535</u>	<u>\$ 48,416,047</u>	<u>\$ 59,915,582</u>

CITY OF CANAL WINCHESTER, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Debt Service	Grant Project	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 3,672,848	\$ 42,100	\$ 31,508	\$ 1,225,991	\$ 4,972,447
Receivables:					
Income taxes.	1,226,533	-	-	-	1,226,533
Property and other taxes.	390,199	-	-	4,170	394,369
Payment in lieu of taxes	-	-	-	213,148	213,148
Accounts.	45,247	-	-	234	45,481
Special assessments	111,987	-	-	-	111,987
Accrued interest	13,994	-	-	-	13,994
Due from other governments.	60,381	-	58,466	165,660	284,507
Materials and supplies inventory.	643	-	-	38,383	39,026
Prepayments	55,200	-	-	108	55,308
Total assets	<u>\$ 5,577,032</u>	<u>\$ 42,100</u>	<u>\$ 89,974</u>	<u>\$ 1,647,694</u>	<u>\$ 7,356,800</u>
Liabilities:					
Accounts payable.	\$ 110,217	\$ -	\$ -	\$ 15,228	\$ 125,445
Contracts payable.	-	-	58,466	-	58,466
Accrued wages and benefits payable	8,922	-	-	1,249	10,171
Compensated absences payable	466	-	-	-	466
Due to other governments	164,643	-	-	5,324	169,967
Note payable.	150,000	-	-	-	150,000
Accrued interest payable	1,169	-	-	-	1,169
Total liabilities	<u>435,417</u>	<u>-</u>	<u>58,466</u>	<u>21,801</u>	<u>515,684</u>
Deferred inflows of resources:					
Property taxes levied for the next year.	375,091	-	-	-	375,091
Delinquent property tax revenue not available.	15,108	-	-	-	15,108
Accrued interest not available	4,205	-	-	-	4,205
Special assessments revenue not available.	111,987	-	-	-	111,987
Income tax revenue not available	882,533	-	-	-	882,533
Other nonexchange transactions not available	44,408	-	58,466	108,713	211,587
Payment in lieu of taxes	-	-	-	213,148	213,148
Total deferred inflows of resources	<u>1,433,332</u>	<u>-</u>	<u>58,466</u>	<u>321,861</u>	<u>1,813,659</u>
Total liabilities and deferred inflows of resources.	<u>1,868,749</u>	<u>-</u>	<u>116,932</u>	<u>343,662</u>	<u>2,329,343</u>
Fund balances:					
Nonspendable	55,843	-	-	38,491	94,334
Restricted.	-	-	-	1,265,541	1,265,541
Assigned	204,918	42,100	-	-	247,018
Unassigned (deficit)	<u>3,447,522</u>	<u>-</u>	<u>(26,958)</u>	<u>-</u>	<u>3,420,564</u>
Total fund balances (deficit)	<u>3,708,283</u>	<u>42,100</u>	<u>(26,958)</u>	<u>1,304,032</u>	<u>5,027,457</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,577,032</u>	<u>\$ 42,100</u>	<u>\$ 89,974</u>	<u>\$ 1,647,694</u>	<u>\$ 7,356,800</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, 2014

Total governmental fund balances		\$	5,027,457
<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.			12,003,920
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	882,533	
Real and other taxes receivable		15,108	
Intergovernmental receivable		211,587	
Special assessments receivable		111,987	
Accrued interest receivable		4,205	
Total		1,225,420	1,225,420
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(15,274)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			48,735
Unamortized discounts on bond issuances are not recognized in the governmental funds.			6,506
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		(62,434)	
General obligation bonds payable		(4,615,000)	
OPWC loans		(1,744,812)	
Bond anticipation notes payable		(300,000)	
Lease purchase payable		(36,382)	
Capital lease payable		(38,601)	
Total		(6,797,229)	(6,797,229)
Net position of governmental activities		\$	11,499,535

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Grant Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Income taxes	\$ 4,974,449	\$ -	\$ -	\$ -	\$ 4,974,449
Property and other taxes	373,177	-	-	64,206	437,383
Payment in lieu of taxes	-	-	-	197,903	197,903
Intergovernmental	213,299	-	1,214,877	368,524	1,796,700
Special assessments	218,432	-	-	-	218,432
Charges for services	177,210	-	-	-	177,210
Fines, licenses and permits	472,877	-	-	3,844	476,721
Investment income	99,901	-	-	161	100,062
Rental income	5,875	-	-	-	5,875
Increase in fair value of investments	4,680	-	-	-	4,680
Other	65,764	412	-	-	66,176
Total revenues	<u>6,605,664</u>	<u>412</u>	<u>1,214,877</u>	<u>634,638</u>	<u>8,455,591</u>
Expenditures:					
Current:					
General government	2,054,210	-	-	12,572	2,066,782
Security of persons and property	1,071,964	-	-	-	1,071,964
Public health and welfare	112,436	-	-	-	112,436
Transportation	754,584	-	-	284,981	1,039,565
Community environment	616,951	-	-	-	616,951
Leisure time activity	429,940	-	-	50,797	480,737
Capital outlay	267,813	-	1,247,820	91,881	1,607,514
Debt service:					
Principal retirement	29,453	1,161,390	-	13,582	1,204,425
Interest and fiscal charges	795	191,096	-	704	192,595
Total expenditures	<u>5,338,146</u>	<u>1,352,486</u>	<u>1,247,820</u>	<u>454,517</u>	<u>8,392,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,267,518</u>	<u>(1,352,074)</u>	<u>(32,943)</u>	<u>180,121</u>	<u>62,622</u>
Other financing sources (uses):					
Note issuance	300,000	-	-	-	300,000
Sale of capital assets	4,016	-	-	-	4,016
Capital lease transaction	36,181	-	-	45,132	81,313
Transfers in	-	1,359,468	-	-	1,359,468
Transfers (out)	(1,359,468)	-	-	-	(1,359,468)
Total other financing sources (uses)	<u>(1,019,271)</u>	<u>1,359,468</u>	<u>-</u>	<u>45,132</u>	<u>385,329</u>
Net change in fund balances	248,247	7,394	(32,943)	225,253	447,951
Fund balances at beginning of year	<u>3,460,036</u>	<u>34,706</u>	<u>5,985</u>	<u>1,078,779</u>	<u>4,579,506</u>
Fund balances (deficit) at end of year	<u>\$ 3,708,283</u>	<u>\$ 42,100</u>	<u>\$ (26,958)</u>	<u>\$ 1,304,032</u>	<u>\$ 5,027,457</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 (DEFICIT) OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds	\$	447,951
<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	\$ 2,184,880	
Current year depreciation	<u>(381,877)</u>	
Total		1,803,003
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(114,936)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	31,733	
Real and other taxes	(1,589)	
Intergovernmental revenues	38,604	
Special assessments	51,827	
Investment income	<u>(10,894)</u>	
Total		109,681
Proceeds of notes and leases are reported as an other financing sources 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.		
		(381,313)
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.		
		1,204,425
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:		
Decrease in accrued interest payable	7,835	
Amortization of deferred amounts on refunding	(4,914)	
Amortization of bond discounts	<u>(437)</u>	
Total		2,484
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>2,797</u>
Change in net position of governmental activities	\$	<u><u>3,074,092</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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 4,489,100	\$ 4,608,531	\$ 4,887,945	\$ 279,414
Property and other taxes.	342,727	351,845	373,177	21,332
Intergovernmental.	211,186	216,804	229,949	13,145
Special assessments.	200,608	205,946	218,432	12,486
Charges for services.	162,750	167,080	177,210	10,130
Fines, licenses and permits	431,043	442,511	469,340	26,829
Interest.	83,654	85,879	91,086	5,207
Rental income	5,396	5,539	5,875	336
Other	68,620	70,446	74,717	4,271
Total revenues	<u>5,995,084</u>	<u>6,154,581</u>	<u>6,527,731</u>	<u>373,150</u>
Expenditures:				
Current:				
General government.	2,050,122	2,468,021	2,258,508	209,513
Security of persons and property	1,073,750	1,089,750	1,083,976	5,774
Public health and services.	119,100	119,100	115,915	3,185
Transportation	867,220	772,920	757,680	15,240
Community environment	645,277	705,277	631,164	74,113
Leisure time activities.	493,835	516,625	437,277	79,348
Capital outlay	203,475	317,975	306,786	11,189
Debt service:				
Principal retirement.	250,000	250,000	250,000	-
Total expenditures	<u>5,702,779</u>	<u>6,239,668</u>	<u>5,841,306</u>	<u>398,362</u>
Excess of revenues over expenditures	<u>292,305</u>	<u>(85,087)</u>	<u>686,425</u>	<u>771,512</u>
Other financing sources (uses):				
Note issuance	450,000	450,000	450,000	-
Sale of capital assets.	107,821	110,690	117,401	6,711
Transfers (out).	(1,109,468)	(1,359,468)	(1,359,468)	-
Total other financing sources (uses)	<u>(551,647)</u>	<u>(798,778)</u>	<u>(792,067)</u>	<u>6,711</u>
Net change in fund balance	(259,342)	(883,865)	(105,642)	778,223
Fund balance at beginning of year	3,279,909	3,279,909	3,279,909	-
Prior year encumbrances appropriated	247,969	247,969	247,969	-
Fund balance at end of year	<u>\$ 3,268,536</u>	<u>\$ 2,644,013</u>	<u>\$ 3,422,236</u>	<u>\$ 778,223</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Storm Water	Total
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 6,075,071	\$ 2,433,736	\$ 338,851	\$ 8,847,658
Receivables:				
Accounts	159,256	182,094	36,786	378,136
Materials and supplies inventory	2,875	15,083	-	17,958
Prepayments	9,781	31,205	1,002	41,988
Total current assets	<u>6,246,983</u>	<u>2,662,118</u>	<u>376,639</u>	<u>9,285,740</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable capital assets	8,400	905,000	-	913,400
Depreciable capital assets, net	23,742,203	15,060,657	8,490,022	47,292,882
Total capital assets, net	<u>23,750,603</u>	<u>15,965,657</u>	<u>8,490,022</u>	<u>48,206,282</u>
Total noncurrent assets	<u>23,750,603</u>	<u>15,965,657</u>	<u>8,490,022</u>	<u>48,206,282</u>
Total assets	<u>29,997,586</u>	<u>18,627,775</u>	<u>8,866,661</u>	<u>57,492,022</u>
Deferred outflows of resources:				
Unamortized deferred charges on debt refunding	133,833	-	-	133,833
Total deferred outflows of resources	<u>133,833</u>	<u>-</u>	<u>-</u>	<u>133,833</u>
Liabilities:				
Current liabilities:				
Accounts payable	49,969	11,088	14,889	75,946
Accrued wages and benefits payable	2,297	2,521	417	5,235
Due to other governments	8,500	14,580	1,483	24,563
Accrued interest payable	19,787	43,356	2,961	66,104
Compensated absences payable - current	28,248	26,563	4,895	59,706
Revenue bonds payable	270,000	-	-	270,000
Bond anticipation notes payable	380,000	-	420,000	800,000
OWDA loans payable	45,279	204,169	-	249,448
OPWC loans payable	10,860	35,180	-	46,040
Capital lease obligations payable	1,644	11,387	6,261	19,292
Total current liabilities	<u>816,584</u>	<u>348,844</u>	<u>450,906</u>	<u>1,616,334</u>
Long-term liabilities:				
Compensated absences payable	32,715	25,476	-	58,191
Revenue bonds payable	2,745,000	-	-	2,745,000
OWDA loans payable	870,794	2,939,011	-	3,809,805
OPWC loans payable	106,611	831,836	-	938,447
Capital lease obligations payable	5,556	23,534	12,941	42,031
Total long-term liabilities	<u>3,760,676</u>	<u>3,819,857</u>	<u>12,941</u>	<u>7,593,474</u>
Total liabilities	<u>4,577,260</u>	<u>4,168,701</u>	<u>463,847</u>	<u>9,209,808</u>
Net position:				
Net investment in capital assets	19,448,692	11,920,540	8,050,820	39,420,052
Unrestricted	6,105,467	2,538,534	351,994	8,995,995
Total net position	<u>\$ 25,554,159</u>	<u>\$ 14,459,074</u>	<u>\$ 8,402,814</u>	<u>\$ 48,416,047</u>

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, 2014

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Storm Water	Total
Operating revenues:				
Charges for services	\$ 1,345,355	\$ 1,264,288	\$ 230,113	\$ 2,839,756
Capacity fees.	829,580	203,359	-	1,032,939
Other operating revenues	8,449	18,339	-	26,788
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues.	2,183,384	1,485,986	230,113	3,899,483
	<hr/>	<hr/>	<hr/>	<hr/>
Operating expenses:				
Personal services	407,801	407,857	79,188	894,846
Transportation.	5,824	6,904	-	12,728
Contractual services.	320,179	235,039	27,966	583,184
Materials and supplies.	57,993	226,463	46,126	330,582
Depreciation.	1,019,876	602,434	198,707	1,821,017
Other	-	58,831	-	58,831
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses.	1,811,673	1,537,528	351,987	3,701,188
	<hr/>	<hr/>	<hr/>	<hr/>
Operating income (loss)	371,711	(51,542)	(121,874)	198,295
	<hr/>	<hr/>	<hr/>	<hr/>
Nonoperating (expenses):				
Interest and fiscal charges	(118,174)	(86,969)	(2,961)	(208,104)
Loss on sale of capital assets.	(4,969)	-	-	(4,969)
	<hr/>	<hr/>	<hr/>	<hr/>
Total nonoperating (expenses).	(123,143)	(86,969)	(2,961)	(213,073)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net position	248,568	(138,511)	(124,835)	(14,778)
	<hr/>	<hr/>	<hr/>	<hr/>
Net position at beginning of year.	25,305,591	14,597,585	8,527,649	48,430,825
	<hr/>	<hr/>	<hr/>	<hr/>
Net position at end of year	<u>\$ 25,554,159</u>	<u>\$ 14,459,074</u>	<u>\$ 8,402,814</u>	<u>\$ 48,416,047</u>

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, 2014

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Storm Water	Total
Cash flows from operating activities:				
Cash received from charges for services	\$ 1,413,440	\$ 1,268,025	\$ 228,553	\$ 2,910,018
Cash received from capacity fees	826,270	203,359	-	1,029,629
Cash received from other operations	8,449	18,339	-	26,788
Cash payments for personal services	(409,209)	(404,646)	(77,794)	(891,649)
Cash payments for transportation	(5,887)	(6,734)	-	(12,621)
Cash payments for contractual services	(345,454)	(246,218)	(28,047)	(619,719)
Cash payments for materials and supplies	(24,360)	(220,799)	(46,126)	(291,285)
Cash payments for other expenses	-	(58,934)	-	(58,934)
Net cash provided by operating activities	<u>1,463,249</u>	<u>552,392</u>	<u>76,586</u>	<u>2,092,227</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(142,270)	(99,920)	(99,295)	(341,485)
Bond anticipation notes	380,000	-	420,000	800,000
Principal payment on bond anticipation notes	(380,000)	-	(420,000)	(800,000)
OWDA loans	-	67,238	-	67,238
Capital lease obligation	8,750	34,921	19,202	62,873
Principal retirement on capital lease	(1,550)	-	-	(1,550)
Principal retirement on OWDA loans	(69,784)	(291,057)	-	(360,841)
Principal retirement on OPWC loans	(10,541)	(20,461)	-	(31,002)
Principal retirement on revenue bonds	(265,000)	-	-	(265,000)
Interest and fiscal charges	(105,194)	(97,421)	-	(202,615)
Net cash used in capital and related financing activities	<u>(585,589)</u>	<u>(406,700)</u>	<u>(80,093)</u>	<u>(1,072,382)</u>
Net increase (decrease) in cash and cash equivalents	877,660	145,692	(3,507)	1,019,845
Cash and cash equivalents at beginning of year	<u>5,197,411</u>	<u>2,288,044</u>	<u>342,358</u>	<u>7,827,813</u>
Cash and cash equivalents at end of year	<u>\$ 6,075,071</u>	<u>\$ 2,433,736</u>	<u>\$ 338,851</u>	<u>\$ 8,847,658</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 371,711	\$ (51,542)	\$ (121,874)	\$ 198,295
Adjustments:				
Depreciation	1,019,876	602,434	198,707	1,821,017
Changes in assets and liabilities:				
Decrease (increase) in materials and supplies inventory	(1,342)	3,187	-	1,845
Decrease (increase) in accounts receivable	64,775	3,737	(1,560)	66,952
Increase in prepayments	(5,303)	(7,463)	(340)	(13,106)
Increase (decrease) in accounts payable	17,549	(1,238)	889	17,200
Increase (decrease) in accrued wages and benefits	(11,062)	(8,799)	417	(19,444)
Increase (decrease) in intergovernmental payable	(3,005)	423	225	(2,357)
Increase in compensated absences payable	10,050	11,653	122	21,825
Net cash provided by operating activities	<u>\$ 1,463,249</u>	<u>\$ 552,392</u>	<u>\$ 76,586</u>	<u>\$ 2,092,227</u>

Non-cash capital transactions:

During 2014, the water fund and storm water fund purchased capital assets on account in the amount of \$700 and \$14,000, respectively.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANAL WINCHESTER, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2014**

	<u>Agency</u>
Assets:	
Current assets:	
Equity in pooled cash and investments.	\$ 133,254
Cash in segregated accounts	<u>10,865</u>
Total assets	<u>\$ 144,119</u>
Liabilities:	
Due to others.	<u>\$ 144,119</u>
Total liabilities	<u>\$ 144,119</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, 2014**

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 2014 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, 2014

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

Canal Winchester Joint Recreation District (the “CWJRD”)

The City has joined with the Canal Winchester Local School District (the District) in the creation of a joint recreation district known as the Canal Winchester Joint Recreation District (the “CWJRD”). The CWJRD is established under Ohio Revised Code Chapter 755.14(C). The CWJRD consists of a Chairperson, Vice Chairperson, Director, Athletic Coordinator, two Board Members, a Member at Large, and a Fiscal Officer. To obtain financial information for the CWJRD, write to the Fiscal Officer at P.O. Box 753, Canal Winchester, Ohio 43110.

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, 2014

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 three agency funds which account for the City's Mayor's Court, Meijer agency fund and employee healthcare account.

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, 2014

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 (deficit) 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 and fiduciary 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 - Revenues 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, 2014**

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 position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position 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, 2014, but which were levied to finance year 2015 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, 2014, 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, 2014

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 2014. 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 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 year and need not be reappropriated.

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 2014, 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, 2014

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

The City has invested funds in STAR Ohio during 2014. 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, 2014.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2014 amounted to \$99,901, which included \$71,936 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, 2014**

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, 2014

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.

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, 2014**

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, 2014 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 2014.

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. The City's liability as of December 31, 2014 of \$44,580 is accrued as due to other governments in the accompanying financial statements.

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.

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

T. Unamortized Bond Discounts/Accounting Gain or Loss

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.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt.

On the governmental fund financial statements bond discounts and net gains or losses from refunding are recognized in the current period.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2014, the City has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

B. Deficit Fund Balance

Fund balance at December 31, 2014 included the following individual fund deficit:

<u>Major governmental fund</u>	<u>Deficit</u>
Grant project fund	\$ 26,958

This fund complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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;
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.

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 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 year end, \$10,865 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".

C. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all City deposits was \$5,805,986. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, \$5,099,912 of the City's bank balance of \$5,825,839 was exposed to custodial credit risk as discussed below, while \$725,927 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.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of December 31, 2014, 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>
FNMA	\$ 1,494,005	\$ -	\$ -	\$ -	\$ -	\$ 1,494,005
FHLMC	2,970,779	-	-	-	-	2,970,779
FHLB	1,342,677	-	-	-	-	1,342,677
Negotiable CD's	1,335,248	145,364	-	-	595,213	594,671
STAR Ohio	161,632	161,632	-	-	-	-
U.S. Government money market	853,747	853,747	-	-	-	-
Total	<u>\$ 8,158,088</u>	<u>\$ 1,160,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 595,213</u>	<u>\$ 6,402,132</u>

The weighted average maturity of investments is 2.59 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 negotiable CDs are not rated. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 1,494,005	18.31
FHLMC	2,970,779	36.42
FHLB	1,342,677	16.46
Negotiable CD's	1,335,248	16.37
STAR Ohio	161,632	1.98
U.S. Government money market	<u>853,747</u>	<u>10.46</u>
Total	<u>\$ 8,158,088</u>	<u>100.00</u>

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,805,986
Investments	8,158,088
Cash on hand	150
Total	<u>\$ 13,964,224</u>

<u>Cash and investments per statement of position</u>	
Governmental activities	\$ 4,972,447
Business-type activities	8,847,658
Agency fund	144,119
Total	<u>\$ 13,964,224</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2014, consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Debt service	<u>\$1,359,468</u>

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.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - PROPERTY TAXES – (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 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, 2014 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 2014 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 2014 property tax receipts were based are as follows:

Real property tax	\$ 207,301,190
Public utility tangible personal property	<u>2,307,450</u>
Total assessed value	<u>\$ 209,608,640</u>

NOTE 7 - LOCAL INCOME TAX

This locally levied tax of 2.0% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the 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, 2014. Income tax revenue for 2014 was \$4,974,449 as reported in the fund financial statements. Income tax revenue is reported in the general fund.

NOTE 8 - TAX INCREMENT FINANCING DISTRICTS (TIF)

The City, pursuant to the Ohio Revised Code and City ordinances, has established TIFs. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as “payments in lieu of taxes (PILOT), as though the TIF had not been established. These “PILOTS” are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 8 - TAX INCREMENT FINANCING DISTRICTS (TIF) – (Continued)

PILOT revenue was \$197,903 in 2014 as reported in the fund financial statements. The TIFs have a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2014, 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, 2014.

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

Governmental activities:

Income taxes	\$ 1,226,533
Property and other local taxes	394,369
Payments in lieu of taxes	213,148
Accounts	45,481
Special assessments	111,987
Accrued interest	13,994
Due from other governments	284,507

Business-type activities:

Accounts	378,136
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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.

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CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2014, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/14</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,596,102	\$ 90,000	\$ (44,500)	\$ 1,641,602
Intangibles	<u>173,615</u>	<u>78,392</u>	<u>-</u>	<u>252,007</u>
Total capital assets, not being depreciated	<u>1,769,717</u>	<u>168,392</u>	<u>(44,500)</u>	<u>1,893,609</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,317,104	-	-	1,317,104
Buildings and improvements	2,444,837	-	-	2,444,837
Furniture and equipment	682,795	173,857	(54,941)	801,711
Vehicles	846,356	45,353	(243,771)	647,938
Infrastructure	<u>5,496,796</u>	<u>1,797,278</u>	<u>-</u>	<u>7,294,074</u>
Total capital assets, being depreciated	<u>10,787,888</u>	<u>2,016,488</u>	<u>(298,712)</u>	<u>12,505,664</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(347,592)	(26,332)	-	(373,924)
Buildings and improvements	(776,746)	(44,006)	-	(820,752)
Furniture and equipment	(271,013)	(59,388)	29,950	(300,451)
Vehicles	(574,710)	(51,289)	198,326	(427,673)
Infrastructure	<u>(271,691)</u>	<u>(200,862)</u>	<u>-</u>	<u>(472,553)</u>
Total accumulated depreciation	<u>(2,241,752)</u>	<u>(381,877)</u>	<u>228,276</u>	<u>(2,395,353)</u>
Total capital assets, being depreciated net	<u>8,546,136</u>	<u>1,634,611</u>	<u>(70,436)</u>	<u>10,110,311</u>
Governmental activities, capital assets, net	<u>\$10,315,853</u>	<u>\$ 1,803,003</u>	<u>\$ (114,936)</u>	<u>\$12,003,920</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 56,927
Transportation	271,809
Leisure time activity	<u>53,141</u>
Total depreciation expense - governmental activities	<u><u>\$ 381,877</u></u>

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2014, was as follows:

<u>Business-type activities:</u>	Balance <u>12/31/13</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/14</u>
<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	12,570,812	-	-	12,570,812
Furniture and equipment	937,455	102,650	(10,000)	1,030,105
Vehicles	162,664	146,706	(83,477)	225,893
Infrastructure	<u>54,982,944</u>	<u>94,935</u>	<u>-</u>	<u>55,077,879</u>
Total capital assets, being depreciated	<u>68,653,875</u>	<u>344,291</u>	<u>(93,477)</u>	<u>68,904,689</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(3,017,833)	(231,946)	-	(3,249,779)
Furniture and equipment	(306,120)	(46,209)	8,000	(344,329)
Vehicles	(122,568)	(14,111)	80,508	(56,171)
Infrastructure	<u>(16,432,777)</u>	<u>(1,528,751)</u>	<u>-</u>	<u>(17,961,528)</u>
Total accumulated depreciation	<u>(19,879,298)</u>	<u>(1,821,017)</u>	<u>88,508</u>	<u>(21,611,807)</u>
Total capital assets, being depreciated, net	<u>48,774,577</u>	<u>(1,476,726)</u>	<u>(4,969)</u>	<u>47,292,882</u>
Business-type activities capital assets, net	<u>\$ 49,687,977</u>	<u>\$(1,476,726)</u>	<u>\$ (4,969)</u>	<u>\$ 48,206,282</u>

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Business-type activities:

Sewer	\$ 1,019,876
Water	602,434
Stormwater	198,707
	<hr/>
Total depreciation expense - business-type activities	<u>\$ 1,821,017</u>

NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

In years 2011 and 2014, the City entered into lease purchase agreements with a financial institution to assist in financing new trucks.

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 2014 totaled \$12,032. Principal and interest payments are made from the street construction and maintenance fund (a nonmajor governmental fund), the general fund, the water fund and the storm water fund.

Capital assets consisting of vehicles have been capitalized in the amount of \$103,902. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2014 was \$5,845, leaving a book value of \$98,057.

The truck is being used by both enterprise and governmental activities. The present value of the minimum lease payments at the time of acquisition was \$36,382 in the governmental activities, \$34,922 in the water fund and \$19,201 in the storm water fund.

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, 2014:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Water Fund</u>	<u>Storm Water Fund</u>
2015	\$ 12,599	\$ 12,093	\$ 6,649
2016	12,598	12,093	6,649
2017	12,599	12,093	6,649
	<hr/>	<hr/>	<hr/>
Total minimum lease payments	37,796	36,279	19,947
Less: amount representing interest	<u>(1,414)</u>	<u>(1,357)</u>	<u>(746)</u>
Present value of future minimum lease payments	<u>\$ 36,382</u>	<u>\$ 34,922</u>	<u>\$ 19,201</u>

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

In a prior year and in the current 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 \$53,681, of this amount \$44,932 is recorded in the governmental activities and \$8,750 in the sewer fund. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2014 was \$4,832, leaving a current book value of \$48,849. A corresponding liability was recorded in the government-wide financial statements and in the sewer fund. Principal payments in 2014 totaled \$29,453 paid by the general fund, \$1,550 paid by the nonmajor governmental funds and \$1,550 paid by the sewer 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, 2014.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Sewer Fund</u>
2015	\$ 10,304	\$ 2,026
2016	10,304	2,026
2017	10,305	2,026
2018	10,303	2,025
2019	<u>2,114</u>	<u>-</u>
Total future minimum lease payments	43,330	8,103
Less: amount representing interest	<u>(4,729)</u>	<u>(903)</u>
Present value of net minimum lease payments	<u>\$ 38,601</u>	<u>\$ 7,200</u>

NOTE 13 - SHORT-TERM OBLIGATIONS

The City's short-term note activity for the year ended December 31, 2014, was as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/14</u>
Governmental activities:						
Bond anticipation note	5/8/2014	1.25%	\$ -	\$ 150,000	\$ -	\$ 150,000
Bond anticipation note	5/8/2013	1.13%	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>
Total			<u>\$ 250,000</u>	<u>\$ 150,000</u>	<u>\$ (250,000)</u>	<u>\$ 150,000</u>

The bond anticipation notes issued on May 8, 2014 were for roadway improvements and represent the portion of the 2013 note issuance that will be retired when the notes are refinanced on May 7, 2014 (See Note 22 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, 2014

NOTE 14 - LONG-TERM OBLIGATIONS

A. Governmental Activities

During 2014, the following changes occurred in the governmental activities long-term obligations:

Governmental activities:	Interest Rate	Maturity Date	Balance at 12/31/13	Additions	Reductions	Balance at 12/31/14	Amounts Due in One Year
<u>General obligation bonds</u>							
G.O. Special assessment bonds, 1994	7.00%	12/01/2014	\$ 35,000	\$ -	\$ (35,000)	\$ -	\$ -
G.O. Bonds, series 2004	4.23%	12/01/2024	135,000	-	(135,000)	-	-
Capital appreciation bonds, series 2004	11.03%	12/01/2019	65,000	-	-	65,000	-
Various purpose refunding bonds, series 2013	2.53%	12/01/2024	1,385,000	-	(15,000)	1,370,000	155,000
G.O. Various purpose bonds, 2008	3.00-4.50%	12/01/2028	<u>3,535,000</u>	<u>-</u>	<u>(355,000)</u>	<u>3,180,000</u>	<u>365,000</u>
Total general obligations bonds			<u>5,155,000</u>	<u>-</u>	<u>(540,000)</u>	<u>4,615,000</u>	<u>520,000</u>
<u>OPWC loans</u>							
#CC05B - Washington St.	0.00%	7/01/2020	273,817	-	(39,117)	234,700	39,117
#CC02D - North High St.	0.00%	7/01/2023	187,973	-	(18,797)	169,176	18,798
#CC03E - West Waterloo #1	0.00%	1/01/2024	315,864	-	(30,082)	285,782	30,082
#CC04F - West Waterloo #2	0.00%	1/01/2025	583,978	-	(50,781)	533,197	50,780
#CC04K - Columbus St	0.00%	1/01/2029	353,400	-	(22,800)	330,600	22,800
#CC06L - Thrush Drive	0.00%	1/01/2034	<u>201,170</u>	<u>-</u>	<u>(9,813)</u>	<u>191,357</u>	<u>9,813</u>
Total OPWC loans			<u>1,916,202</u>	<u>-</u>	<u>(171,390)</u>	<u>1,744,812</u>	<u>171,390</u>
<u>Other long-term obligations</u>							
Bond anticipation notes - series 2014	1.25%	5/7/2015	-	300,000	-	300,000	300,000
Bond anticipation notes - series 2013	1.13%	5/8/2014	450,000	-	(450,000)	-	-
Compensated absences	-	-	65,231	44,655	(46,986)	62,900	49,367
Lease purchase agreement	-	-	12,032	36,382	(12,032)	36,382	11,863
Capital lease agreements	-	-	<u>24,673</u>	<u>44,931</u>	<u>(31,003)</u>	<u>38,601</u>	<u>8,387</u>
Total other long-term obligations			<u>551,936</u>	<u>425,968</u>	<u>(540,021)</u>	<u>437,883</u>	<u>369,617</u>
Total governmental activities			<u>\$ 7,623,138</u>	<u>\$ 425,968</u>	<u>\$ (1,251,411)</u>	<u>6,797,695</u>	<u>\$ 1,061,007</u>
Less: Unamortized discount on bond issuance						<u>(6,506)</u>	
Total on statement of net position						<u>\$ 6,791,189</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 \$1,250,000 (\$300,000 in long-term governmental activities and \$150,000 in short-term governmental activities, \$420,000 in storm water and \$380,000 in sewer) in roadway, sewer and storm water improvement notes on May 8, 2014. The notes bear an interest rate of 1.25% and mature on May 7, 2015. The notes were issued to retire the bond anticipation notes series 2013.

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 14 - 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 2014 note issues that will be retired on May 7, 2015 (see Note 22 for detail) have been reported as short-term notes payable (see Note 13 for detail). The notes are backed by the full faith and credit of the City.

Lease Purchase Agreements:

See Note 11 for detail on the lease purchase agreements.

Capital Lease Agreements:

See Note 12 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.

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.

On December 17, 2013, the City issued general obligation refunding bonds (various purpose refunding bonds, series 2013). These bonds refunded the \$1,300,000 callable portion of the Series 2004 issue. These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The bonds bear an annual interest rate of 2.53% and mature on December 1, 2024.

Proceeds of \$1,354,059 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various purpose bonds. As a result, \$1,300,000 of these bonds of these bonds are considered defeased and the liability for the refunded portion of these bonds have been removed from the City's financial statements. As of December 31, 2014, \$1,300,000 of the bonds were not matured and unpaid.

The reacquisition price exceeded the net carrying amount of the old debt by \$54,059 for governmental activities. This amount is presented as a deferred charge on refunding and amortized over the remaining life of the new debt.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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
2015	\$ 520,000	\$ 157,404	\$ 677,404
2016	530,000	141,802	671,802
2017	550,000	125,693	675,693
2018	449,243	227,777	677,020
2019	455,757	215,823	671,580
2020 - 2024	1,505,000	285,454	1,790,454
2025 - 2028	<u>605,000</u>	<u>69,525</u>	<u>674,525</u>
Total	<u>\$ 4,615,000</u>	<u>\$ 1,223,478</u>	<u>\$ 5,838,478</u>

OPWC Loans:

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

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

Year Ended December 31,	OPWC Loans Payable Principal
2015	\$ 171,390
2016	171,390
2017	171,390
2018	171,390
2019	171,390
2020 - 2024	666,643
2025 - 2029	177,058
2030 - 2034	<u>44,161</u>
Total	<u>\$ 1,744,812</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, 2014, the City's total debt margin was \$17,436,007 and the unvoted debt margin was \$11,528,475.

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-Type Activities

During 2014, the following changes occurred in the business-type long-term obligations:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/14</u>	<u>Due in One Year</u>
<u>Revenue bonds</u>							
Sanitary sewer refunding bonds	2.530%	12/01/2024	\$ 3,280,000	\$ -	\$ (265,000)	\$ 3,015,000	\$ 270,000
Total revenue bonds			<u>3,280,000</u>	<u>-</u>	<u>(265,000)</u>	<u>3,015,000</u>	<u>270,000</u>
<u>OPWC loans</u>							
#CC808 - Columbus & Washington	3.00%	1/01/2016	15,143	-	(5,923)	9,220	6,102
#CC01C - Sanitary sewer rehab	3.00%	1/01/2024	128,012	-	(10,541)	117,471	10,860
#CC15P - Tanktown Waterline and roadway improvement	0.00%	1/1/2044	<u>805,096</u>	<u>67,238</u>	<u>(14,538)</u>	<u>857,796</u>	<u>29,078</u>
Total OPWC loans			<u>948,251</u>	<u>67,238</u>	<u>(31,002)</u>	<u>984,487</u>	<u>46,040</u>
<u>OWDA loans</u>							
#3081 - Elevated storage tank construction	6.02%	7/01/2014	25,450	-	(25,450)	-	-
#1502 - Water improvements	8.26%	1/01/2014	92,388	-	(92,388)	-	-
#4523 - Water treatment plant construction	2.75%	7/01/2027	2,704,214	-	(160,762)	2,543,452	165,213
#4672 - Well field & raw water line	2.75%	7/01/2027	637,635	-	(37,907)	599,728	38,956
#5772 - Wastewater system upgrades	2.12%	7/1/2031	<u>960,407</u>	<u>-</u>	<u>(44,334)</u>	<u>916,073</u>	<u>45,279</u>
Total OWDA loans			<u>4,420,094</u>	<u>-</u>	<u>(360,841)</u>	<u>4,059,253</u>	<u>249,448</u>
<u>Other long-term obligations:</u>							
Lease purchase agreement			-	54,123	-	54,123	17,648
Capital lease obligation			-	8,750	(1,550)	7,200	1,644
Compensated absences			<u>96,072</u>	<u>92,813</u>	<u>(70,988)</u>	<u>117,897</u>	<u>59,706</u>
Total long-term obligations			<u>96,072</u>	<u>155,686</u>	<u>(72,538)</u>	<u>179,220</u>	<u>78,998</u>
<u>Bond anticipation notes</u>							
Bond anticipation notes - series 2014	1.25%	5/8/2015	-	800,000	-	800,000	800,000
Bond anticipation notes - series 2013	1.13%	5/8/2014	<u>800,000</u>	<u>-</u>	<u>(800,000)</u>	<u>-</u>	<u>-</u>
Total bond anticipation notes			<u>800,000</u>	<u>800,000</u>	<u>(800,000)</u>	<u>800,000</u>	<u>800,000</u>
Total business-type activities			<u>\$ 9,544,417</u>	<u>\$ 1,022,924</u>	<u>\$ (1,529,381)</u>	<u>\$ 9,037,960</u>	<u>\$ 1,444,486</u>

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Compensated Absences:

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

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%.

On December 17, 2013, the City issued \$3,280,000 in sanitary sewer system revenue refunding bonds. This bond issue, along with funds held in the debt service reserve fund account established by trust indenture, was used to refund a portion of the sewer mortgage revenue bonds issued on December 1, 2004. These bonds bear an interest rate of 2.53% and mature on December 1, 2024. Proceeds of \$3,738,454 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the sewer mortgage revenue bonds. As a result, \$3,590,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds have been removed from the City's financial statements. As of December 31, 2014, \$3,325,000 of the bonds were not matured and unpaid.

The reacquisition price exceeded the net carrying amount of the old debt by \$148,454. This amount is presented as a deferred charge on refunding and amortized over the remaining life of the new debt.

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

Year Ended <u>December 31,</u>	Revenue Refunding Bonds Payable		
	Principal	Interest	Total
2015	\$ 270,000	\$ 79,280	\$ 349,280
2016	275,000	69,449	344,449
2017	285,000	62,491	347,491
2018	290,000	55,281	345,281
2019	295,000	47,944	342,944
2020 - 2024	1,600,000	123,464	1,723,464
Total	\$ 3,015,000	\$ 437,909	\$ 3,452,909

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 24.84 percent of net revenues. The total principal and interest remaining to be paid on the sewer mortgage revenue bonds is \$3,452,909. Principal and interest paid for the current year and total customer net revenues were \$344,296 and \$1,386,309, respectively.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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
2015	\$ 46,040	\$ 3,675	\$ 49,715
2016	43,385	3,162	46,547
2017	40,604	2,777	43,381
2018	40,952	2,429	43,381
2019	41,311	2,070	43,381
2020 - 2024	205,179	4,573	209,752
2025 - 2029	145,389	-	145,389
2030 - 2034	145,389	-	145,389
2035 - 2039	145,389	-	145,389
2040 - 2044	130,849	-	130,849
Total	<u>\$ 984,487</u>	<u>\$ 18,686</u>	<u>\$ 1,003,173</u>

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, 2014, the City has outstanding borrowings of \$4,059,253. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

The 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 2031. Annual principal and interest payments on the loans are expected to require 24.81 percent of net revenues and 13.10 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$4,855,599. Principal and interest paid for the current year were \$480,675, total net revenues were \$1,937,201 and total revenues were \$3,669,370.

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

The annual requirements to retire governmental activities debt are as follows.

Year Ended December 31,	OWDA Loans Payable		
	Principal	Interest	Total
2015	\$ 249,448	\$ 104,225	\$ 353,673
2016	256,066	97,607	353,673
2017	262,862	90,812	353,674
2018	269,839	83,834	353,673
2019	277,003	76,670	353,673
2020 - 2024	1,499,373	268,996	1,768,369
2025 - 2029	1,119,086	70,857	1,189,943
2030 - 2031	125,576	3,345	128,921
Total	\$ 4,059,253	\$ 796,346	\$ 4,855,599

NOTE 15 - 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 \$382,498 during 2014.

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 \$12,710,743 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.

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 16 - PENSION PLAN

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, 277 East Town Street, 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 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$204,257, \$219,565, and \$161,275, respectively; 91.14% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as due to other governments/pension obligation payable on the basic financial statements. Contributions to the Member-Directed Plan for 2014 were \$10,813 made by the City and \$7,724 made by the plan members.

NOTE 17 - POSTRETIREMENT BENEFIT PLAN

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.

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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, 277 East Town Street, 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 2014, 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 and Combined Plan for 2014 was 2.00%.

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, 2014, 2013, and 2012 were \$34,055, \$16,882, and \$68,969, respectively; 91.14% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments/pension obligation payable 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 4.00% of the employer contributions toward the health care fund after the end of the transition period.

NOTE 18 - 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);

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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	\$ (105,642)
Net adjustment for revenue accruals	77,933
Net adjustment for expenditure accruals	249,356
Net adjustment for other sources/uses	(227,204)
Adjustment for encumbrances	<u>253,804</u>
GAAP basis	<u>\$ 248,247</u>

NOTE 19 - 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, 2014.

B. Litigation

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

CITY OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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:

<u>Fund balance</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Grant Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Prepayments	\$ 55,200	\$ -	\$ -	\$ 108	\$ 55,308
Materials and supplies inventory	<u>643</u>	<u>-</u>	<u>-</u>	<u>38,383</u>	<u>39,026</u>
Total nonspendable	<u>55,843</u>	<u>-</u>	<u>-</u>	<u>38,491</u>	<u>94,334</u>
Restricted:					
General government	-	-	-	577,253	577,253
Capital projects	-	-	-	6,347	6,347
Transportation	-	-	-	598,458	598,458
Leisure time activity	-	-	-	70,833	70,833
Public health	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,650</u>	<u>12,650</u>
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,265,541</u>	<u>1,265,541</u>
Assigned:					
Debt service	-	42,100	-	-	42,100
Public health	2,096	-	-	-	2,096
Capital outlay	39,743	-	-	-	39,743
Leisure time activity	1,344	-	-	-	1,344
Subsequent year appropriations	66,931	-	-	-	66,931
General government	<u>94,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,804</u>
Total assigned	<u>204,918</u>	<u>42,100</u>	<u>-</u>	<u>-</u>	<u>247,018</u>
Unassigned	<u>3,447,522</u>	<u>-</u>	<u>(26,958)</u>	<u>-</u>	<u>3,420,564</u>
Total fund balances (deficit)	<u>\$ 3,708,283</u>	<u>\$ 42,100</u>	<u>\$ (26,958)</u>	<u>\$ 1,304,032</u>	<u>\$ 5,027,457</u>

CITY OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 21 - 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 on a cash-basis in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 137,987
Grant project	137,068
Other governmental	<u>8,915</u>
Total	<u>\$ 283,970</u>

NOTE 22 – SUBSEQUENT EVENTS

On May 7, 2015, the City issued a \$950,000 bond anticipation note to retire the \$1,250,000 anticipation note issued on May 8, 2014 (See Notes 13 and 14). This note bears an interest rate of 1.5% and matures on May 5, 2016.

On April 15, 2015, the City issued \$3,500,000 in general obligation bonds for the construction and improvement of municipal facilities. The bonds bear an annual interest rate of 2.6% and mature on January 1, 2030.



**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

To the City Council:

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, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City'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'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'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.

Compliance and Other Matters

As part of reasonably assuring whether the City'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*.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

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's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Shuman & Snow, Inc.

Newark, Ohio

June 30, 2015

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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
OCTOBER 13, 2015**