

VILLAGE OF CANAL WINCHESTER
FRANKLIN COUNTY, OHIO

Financial Statements
(Audited)

For The Year Ended
December 31, 2003

NANISA OSBORN, FINANCE DIRECTOR



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Village of Canal Winchester, Franklin County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2003 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 15, 2004

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

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor’s Report

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

We have audited the accompanying financial statements of the Village of Canal Winchester, Franklin County, Ohio, as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Village of Canal Winchester’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the Village of Canal Winchester prepares its financial statements on the basis of accounting prescribed or permitted by Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and cash fund balances of the Village of Canal Winchester, Franklin County, as of December 31, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2004, on our consideration of the Village of Canal Winchester’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
June 16, 2004

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

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2003

<u>Cash and Cash Equivalents</u>	<u>2003</u>
Cash and Cash Equivalents	<u>\$ 3,057,545</u>
Total Cash and Cash Equivalents	<u><u>\$ 3,057,545</u></u>
 <u>Cash Fund Balances</u>	
<u>Governmental Fund Types:</u>	
General Fund	\$ 601,198
Special Revenue Funds	<u>174,590</u>
Total Governmental Fund Types	<u>775,788</u>
 <u>Proprietary Fund Type:</u>	
Enterprise Funds	<u>2,281,372</u>
 <u>Fiduciary Fund Type:</u>	
Agency Fund	<u>385</u>
Total Cash Fund Balances	<u><u>\$ 3,057,545</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property and other local taxes	\$ 3,218,229	\$ 42,167	\$ -	\$ -	\$ 3,260,396
Intergovernmental	524,269	341,662	-	1,549,301	2,415,232
Special assessments	-	-	81,900	-	81,900
Charges for services	1,634,616	4,324	-	-	1,638,940
Fines, licenses, and permits	537,177	7,400	-	-	544,577
Interest	25,209	-	-	-	25,209
Miscellaneous	149,717	-	-	-	149,717
Total cash receipts	<u>6,089,217</u>	<u>395,553</u>	<u>81,900</u>	<u>1,549,301</u>	<u>8,115,971</u>
Cash disbursements:					
Current:					
Security of persons and property	1,037,446	-	-	-	1,037,446
Public health services	11,239	-	-	-	11,239
Leisure time activities	154,688	143,963	-	-	298,651
Community environment	1,542,078	-	-	-	1,542,078
Basic utility services	200,000	-	-	-	200,000
Transportation	218,164	429,366	-	-	647,530
General government	1,668,340	1,043	-	-	1,669,383
Capital outlay	455,544	21,667	-	1,549,301	2,026,512
Debt service:					
Principal retirement	-	-	3,807,309	230,000	4,037,309
Interest charges	-	-	310,552	146,444	456,996
Total cash disbursements	<u>5,287,499</u>	<u>596,039</u>	<u>4,117,861</u>	<u>1,925,745</u>	<u>11,927,144</u>
Total cash receipts over/(under) cash disbursements	<u>801,718</u>	<u>(200,486)</u>	<u>(4,035,961)</u>	<u>(376,444)</u>	<u>(3,811,173)</u>
Other financing receipts/(disbursements):					
Proceeds from notes	54,000	-	3,540,000	-	3,594,000
Operating transfers in	-	256,699	495,961	376,444	1,129,104
Operating transfers out	(728,784)	-	-	-	(728,784)
Other disbursements	(4,903)	-	-	-	(4,903)
Total other financing receipts/(disbursements)	<u>(679,687)</u>	<u>256,699</u>	<u>4,035,961</u>	<u>376,444</u>	<u>3,989,417</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	122,031	56,213	-	-	178,244
Cash fund balances, January 1, 2003	<u>479,167</u>	<u>118,377</u>	<u>-</u>	<u>-</u>	<u>597,544</u>
Cash fund balances, December 31, 2003	<u>\$ 601,198</u>	<u>\$ 174,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775,788</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Charges for services	\$ 3,556,409	\$ -	\$ 3,556,409
Total operating cash receipts	<u>3,556,409</u>	<u>-</u>	<u>3,556,409</u>
Operating cash disbursements:			
Personal services	497,416	-	497,416
Employee fringe benefits	20,289	-	20,289
Contractual services	874,773	-	874,773
Supplies and material	285,396	-	285,396
Capital outlay	69,509	-	69,509
Total operating cash disbursements	<u>1,747,383</u>	<u>-</u>	<u>1,747,383</u>
Operating income	<u>1,809,026</u>	<u>-</u>	<u>1,809,026</u>
Nonoperating cash receipts/(disbursements):			
Debt service:			
Principal	(161,502)	-	(161,502)
Interest	(156,305)	-	(156,305)
Other	21,967	-	21,967
Fines collected	-	158,501	158,501
Fines disbursed	-	(158,501)	(158,501)
Total nonoperating cash receipts/(disbursements)	<u>(295,840)</u>	<u>-</u>	<u>(295,840)</u>
Income before operating transfers	<u>1,513,186</u>	<u>-</u>	<u>1,513,186</u>
Transfers in	295,840	-	295,840
Transfers out	<u>(696,160)</u>	<u>-</u>	<u>(696,160)</u>
Net income	1,112,866	-	1,112,866
Cash fund balances, January 1, 2003	<u>1,168,506</u>	<u>385</u>	<u>1,168,891</u>
Cash fund balances, December 31, 2003	<u>\$ 2,281,372</u>	<u>\$ 385</u>	<u>\$ 2,281,757</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF CANAL WINCHESTER
FRANKLIN COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements					Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03		Total
Governmental:												
General	\$ 750,000	\$ 5,301,275	\$ 6,051,275	\$ 6,143,217	\$ 841,942	\$ -	\$ 6,205,393	\$ 6,205,393	\$ 6,021,186	\$ -	\$ 6,021,186	\$ 184,207
Special Revenue	21,000	4,016,641	4,037,641	652,252	(3,364,389)	-	4,022,241	4,022,241	596,039	-	596,039	3,426,202
Debt Service	-	5,004,759	5,004,759	4,117,861	(886,898)	-	4,823,831	4,823,831	4,117,861	-	4,117,861	705,970
Capital Projects	-	3,735,000	3,735,000	1,925,745	(1,809,255)	-	3,735,000	3,735,000	1,925,745	-	1,925,745	1,809,255
Proprietary:												
Enterprise	1,035,000	2,895,038	3,930,038	3,874,216	979,178	-	2,740,586	2,740,586	2,761,350	-	2,761,350	(20,764)
Total (Memorandum Only)	\$ 1,806,000	\$ 20,952,713	\$ 22,758,713	\$ 16,713,291	\$ (4,239,422)	\$ -	\$ 21,527,051	\$ 21,527,051	\$ 15,422,181	\$ -	\$ 15,422,181	\$ 6,104,870

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

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

The Canal Winchester Industry and Commerce Corporation (the "CWICC"), is a legally separate, non-profit corporation created on August 22, 1994 pursuant of the provisions of Ohio Rev. Code Section 1724.10. The CWICC is governed by a five-member Board of Trustees. Two of the members are made up from elected Village officials and the remaining three members are elected by the CWICC. Vacancies are appointed by the remaining Trustees by an affirmative majority vote.

The CWICC's sole purpose is to carry out the Plan of Industrial, Commercial, Distribution and Research Development for the Village. The Village is not required under this agreement to provide any financial contribution to the CWICC. The Village did not expend any money in 2003 to the CWICC.

The CWICC can incur debt, mortgage its property acquired, otherwise issue its obligations for the purpose of acquiring, constructing, improving and equipping buildings, structures and other properties and acquiring sites.

The financial activities of the CWICC are not included in the financial statements of the Village.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

The Village had the following significant special revenue fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

General Obligation Fund - This fund is used to repay general obligation bonds and any short term note obligations from proceeds derived from special assessments and note proceeds.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects funds:

Waster Water Treatment Plant Fund - This fund is used to account for the acquisition and construction of the waste water treatment plant, funded by transfers in.

Issue II Fund - This fund is used for approved construction projects, funded by grant receipts.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Funds (Agency Fund)

Mayor's Court - This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds are collected in part on behalf of the State of Ohio. In addition, funds are used for safety programs, computerization and general Village operations.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

C. BUDGETARY PROCESS

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

Tax Budget:

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

Estimated Resources:

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted appropriation amendments during 2003.

Encumbrances:

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had no outstanding encumbrances and did not properly encumber all commitments as required by Ohio law at December 31, 2003.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$25,209 for the year ended December 31, 2003.

E. PROPERTY, PLANT AND EQUIPMENT

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are recorded as expenditures in the fund in the year expended. The costs of normal maintenance and repairs, along with improvements, are also expended. Depreciation is not recorded by the Village.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation upon employment separation and 25% of unused sick leave upon retirement. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

G. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the necessary fund and are recorded as operating transfers.

H. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - COMPLIANCE

- A. The following funds had appropriations in excess of estimated resources for the year ended December 31, 2003, contrary to Ohio Revised Code Section 5705.39:

<u>Fund Type</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$ 6,051,275	\$ 6,205,393	\$ 154,118

- B. The following funds had expenditures in excess of appropriations for the year ended December 31, 2003, contrary to Ohio Revised Code Section 5705.41(B):

<u>Fund Type/Fund/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Land/Building:			
Capital Outlay	\$ 35,000	\$ 81,146	\$ 46,146
<u>Enterprise Funds</u>			
Water Fund:			
Filtration - Contractual Services	20,000	27,974	7,974
Supplies and Materials	75,000	79,600	4,600
Distribution - Contractual Services	10,000	11,327	1,327
Water Construction Fund:			
Contractual Services	239,000	309,662	70,662
Sewer Construction Fund:			
Contractual Services	100,000	317,863	217,863

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>
Deposits: Demand Deposits	\$ 910,356
Investments in STAR Ohio	<u>2,147,189</u>
Total cash and cash equivalents	<u>\$ 3,057,545</u>

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

Investments: Investments in STAR Ohio are not endorsed by securities that exist in physical or book-entry form. Investments in STAR Ohio are valued at amounts reported by the State Treasurer.

NOTE 5 - DEBT OBLIGATIONS

At December 31, 2003, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at</u>
<u>General Fund:</u>	<u>12/31/2003</u>
2003 Promissory Note bearing 0% interest due in annual installments through 2005.	\$ 54,000
<u>Debt Service Fund:</u>	
2003 Bond Anticipation Note for rebuilding, surfacing, and paving Walnut Street and storm sewer improvements, bearing interest of 2% and due in full in September 2004.	500,000
2003 Bond Anticipation Note for acquiring for public purposes real estate, bearing interest of 2% and due in full in September 2004.	750,000
2003 Bond Anticipation Note for acquiring and constructing a water storage tank, bearing interest of 2% and due in full in September 2004.	1,300,000
1999 Various Purpose Bonds, due in annual installments of varying amounts, bearing interest at varying amounts through 2019.	3,460,000

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - DEBT OBLIGATIONS - (Continued)

<u>Description</u>	<u>Balance at 12/31/2003</u>
<u>Debt Service Fund: (continued)</u>	
1994 Water and Sewer System Improvement Bonds for various utility improvements, due in annual principal installments and semi-annual interest rates of varying installments, bearing interest at varying amounts through 2014.	\$ 260,000
1993 General Obligation bonds for the Ohio Water and Sewer System Improvement Bond Series 1993, due in annual installments of varying installments, bearing interest at varying amounts through 2013.	620,000
1992 OPWC loan for Hocking Street Waterline, due in semi-annual installments bearing no interest through 2012.	35,678
1996 OPWC loan for Columbus Washington water line, due in semi-annual installments bearing interest at 3% through 2016.	63,425
2001 Ohio Public Works Commission (OPWC) loan for Washington Street Rehabilitation, due in semi-annual installments bearing 0% interest, through 2020.	645,426
1999 Ohio Public Works loan for Sanitary Sewer Rehab, due in semi-annual installments bearing interest at 3% through 2024.	213,942
2002 Ohio Public Works loan for North High Street Rehabilitation due in semi-annual installments bearing 0% interest through 2023.	366,549

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 5 - DEBT OBLIGATIONS - (Continued)

<u>Description</u>	<u>Balance at 12/31/2003</u>
<u>Capital Projects Fund:</u>	
1999 Sewer System Adjustable Rate First Mortgage Revenue Bonds for acquiring, constructing and operating improvements to the sanitary sewer collection and treatment system, due in annual installments of varying amounts, bearing interest at a variable rate through 2004.	\$ 5,938,000
<u>Enterprise Fund:</u>	
1994 Ohio Water Development Authority (OWDA) loan for Elevated Water Storage tank construction, due in semi-annual installments bearing interest at 6.02% through 2014.	396,820
1989 OWDA loan for Waterline construction, due in semi-annual insallments bearing interest at 8.26% through 2014.	1,326,669
1989 OWDA loan for Sewer line construction, due in semi-annual installments bearing interest at 7.36% through 2008.	<u>271,690</u>
Total debt obligations	<u>\$ 16,202,199</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Transactions for the year ended December 31, 2003, are summarized as follows:

	Fund Type	Restated Balance 12/31/2002	Proceeds	Payments	Balance 12/31/2003
2003 Promissory Note	General	\$ -	\$ 54,000	\$ -	\$ 54,000
2003 Street					
Improvement BANS	Debt	500,000	500,000	(500,000)	500,000
2003 Various Purpose BANS	Debt	750,000	750,000	(750,000)	750,000
Various Purpose BANS	Debt	-	990,000	(990,000)	-
2002 Water Tank BANS	Debt	1,300,000	1,300,000	(1,300,000)	1,300,000
1999 Various Purpose Bonds	Debt	3,605,000	-	(145,000)	3,460,000
GO Bonds 1994	Debt	275,000	-	(15,000)	260,000
GO Bonds 1993	Debt	670,000	-	(50,000)	620,000
OPWC CT212	Debt	40,139	-	(4,461)	35,678
OPWC CT808	Debt	67,757	-	(4,332)	63,425
OPWC #CC05B	Debt	684,544	-	(39,118)	645,426
OPWC #CC01C	Debt	213,942	-	-	213,942
OPWC #CC020	Debt	375,947	-	(9,398)	366,549
Total Debt Service Fund		<u>8,482,329</u>	<u>3,540,000</u>	<u>(3,807,309)</u>	<u>8,215,020</u>
Sewer System Revenue Bonds	Capital Projects	<u>6,168,000</u>	<u>-</u>	<u>(230,000)</u>	<u>5,938,000</u>
OWDA - #3081	Enterprise	425,190	-	(28,370)	396,820
OWDA - # 1502	Enterprise	1,410,223	-	(83,554)	1,326,669
OWDA - #1501	Enterprise	<u>321,268</u>	<u>-</u>	<u>(49,578)</u>	<u>271,690</u>
Total Enterprise Funds		<u>2,156,681</u>	<u>-</u>	<u>(161,502)</u>	<u>1,995,179</u>
Total All Funds		<u>\$ 16,807,010</u>	<u>\$ 3,594,000</u>	<u>\$ (4,198,811)</u>	<u>\$ 16,202,199</u>

The beginning balances were restated based upon OWDA finalizing repayment terms regarding loans OPWC #CC01C and OPWC #CC020 in the name of the Village.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2003, are as follows:

Year Ending December 31	2003 Promissory Note		2003 BAN		2003 BAN		2003 BAN	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 27,500	\$ -	\$ 500,000	\$ 9,540	\$ 750,000	\$ 9,540	\$ 1,300,000	\$ 9,540
2005	26,500	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009 - 2013	-	-	-	-	-	-	-	-
2014 - 2018	-	-	-	-	-	-	-	-
2019 - 2023	-	-	-	-	-	-	-	-
Totals	<u>\$ 54,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 9,540</u>	<u>\$ 750,000</u>	<u>\$ 9,540</u>	<u>\$ 1,300,000</u>	<u>\$ 9,540</u>

Year Ending December 31	1999 Various Purpose Bonds		1994 Water & Sewer Improvement		1993 G.O. Bonds		1992 OPWC Hocking Water	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 150,000	\$ 178,745	\$ 15,000	\$ 18,255	\$ 50,000	\$ 36,445	\$ 4,460	\$ -
2005	155,000	172,670	15,000	17,295	55,000	33,695	4,460	-
2006	160,000	166,160	20,000	16,245	55,000	30,615	4,460	-
2007	170,000	159,280	20,000	14,845	60,000	27,480	4,460	-
2008	175,000	151,800	20,000	13,445	60,000	24,000	4,460	-
2009 - 2013	1,015,000	619,203	135,000	42,220	340,000	63,300	13,378	-
2014 - 2018	1,325,000	312,125	35,000	2,485	-	-	-	-
2019 - 2023	310,000	17,050	-	-	-	-	-	-
Totals	<u>\$ 3,460,000</u>	<u>\$ 1,777,033</u>	<u>\$ 260,000</u>	<u>\$ 124,790</u>	<u>\$ 620,000</u>	<u>\$ 215,535</u>	<u>\$ 35,678</u>	<u>\$ -</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Year Ending December 31,	1996 OPWC		2001 OPWC		1999 OPWC		2002 Ohio Public Works	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 4,397	\$ 1,935	\$ 39,117	\$ -	\$ 3,942	\$ 3,209	\$ 9,400	\$ -
2005	4,530	1,802	39,117	-	8,063	6,240	18,797	-
2006	4,667	1,665	39,117	-	8,307	5,996	18,797	-
2007	4,808	1,524	39,117	-	8,558	5,745	18,797	-
2008	4,954	1,378	39,117	-	8,816	5,487	18,797	-
2009 - 2013	27,106	4,964	195,585	-	48,244	23,271	93,987	-
2014 - 2018	12,963	276	195,583	-	55,989	15,526	93,987	-
2019 - 2023	-	-	58,673	-	64,977	6,537	93,987	-
2024	-	-	-	-	7,046	106	-	-
Totals	\$ 63,425	\$ 13,544	\$ 645,426	\$ -	\$ 213,942	\$ 72,117	\$ 366,549	\$ -

Year Ending December 31,	1999 Sewer System Adjustable Rate First Mortgage		1994 OWDA Elevated Water Storage		1989 OWDA Waterline		1989 OWDA Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	5,938,000	296,900	\$ 29,224	\$ 24,743	\$ 87,004	\$ 113,034	\$ 51,337	\$ 21,886
2005	-	-	30,983	22,983	94,190	105,847	55,116	18,107
2006	-	-	32,848	21,118	101,971	98,067	59,172	14,051
2007	-	-	34,826	19,141	110,394	89,644	63,527	9,696
2008	-	-	36,922	17,044	119,512	80,526	42,538	5,015
2009 - 2013	-	-	220,751	49,079	762,988	237,201	-	-
2014 - 2018	-	-	11,266	1,532	50,610	7,631	-	-
Totals	\$ 5,938,000	\$ 296,900	\$ 396,820	\$ 155,640	\$ 1,326,669	\$ 731,950	\$ 271,690	\$ 68,755

Year Ending December 31,	Totals	
	Principal	Interest
2004	\$ 8,959,381	\$ 723,772
2005	506,756	378,639
2006	504,339	353,917
2007	534,487	327,355
2008	530,116	298,695
2009 - 2013	2,852,039	1,039,238
2014 - 2018	1,780,398	339,575
2019 - 2023	527,637	23,587
2024	7,046	106
Totals	\$ 16,202,199	\$ 3,484,884

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 6 - PROPERTY TAX

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

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

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

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

NOTE 7 - LOCAL INCOME TAX

This locally levied tax of 2.0% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. The Village gives a 100% credit to the tax paid to another municipality to the maximum of the total amount assessed. It also applies to the net income of business organizations located within the Village. Tax receipts are accounted for in an expendable trust and transferred based on Council ordinance allocation to various funds for operations. The Village collected \$2,936,237 in 2003 in income tax receipts.

NOTE 8 - RETIREMENT SYSTEM

The Village's salaried employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. All amounts due for 2003 were paid as of December 31, 2003.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 - CONTINGENT LIABILITY

LITIGATION

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

NOTE 11 - INTERFUND TRANSACTIONS

The Village had the following interfund transactions for the year ended December 31, 2003:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 728,784
<u>Special Revenue Funds</u>		
Street Construction, Maintenance & Repair	150,000	-
Community Center	<u>106,699</u>	<u>-</u>
Total Special Revenue Funds	<u>256,699</u>	<u>-</u>
<u>Debt Service Funds</u>		
General Obligation	447,130	-
OPWC Debt Service	<u>48,831</u>	<u>-</u>
Total Debt Service Funds	<u>495,961</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - INTERFUND TRANSACTIONS - (Continued)

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfer Out</u>
<u>Capital Projects Fund</u>		
Wastewater Plant Treatment	\$ 376,444	\$ -
<u>Enterprise Funds</u>		
OWDA Debt Service	104,687	-
Water Fund	-	191,153
Sewer Fund	-	505,007
Water Treatment Capacity	<u>191,153</u>	<u>-</u>
Total Enterprise Funds	<u>295,840</u>	<u>696,160</u>
Total	<u>\$ 1,424,944</u>	<u>\$ 1,424,944</u>

NOTE 12 - SUBSEQUENT EVENT

On April 14, 2004, the Village issued \$2,550,000 in various purpose notes at a rate of 1.87% for the purpose of refunding the outstanding 2003 issue.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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

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

We have audited the financial statements of the Village of Canal Winchester, Franklin County, Ohio, as of and for the year ended December 31, 2003, and have issued our report thereon dated June 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Canal Winchester's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-VOCW-001, 2003-VOCW-002 and 2003-VOCW-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Canal Winchester in a separate letter dated June 16, 2004.

Members of Council and Mayor
Village of Canal Winchester

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Canal Winchester's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Canal Winchester in a separate letter dated June 16, 2004.

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

Trimble, Julian & Grube, Inc.
June 16, 2004

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2003-VOCW-001

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

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

<u>Fund Type</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$ 6,051,275	\$ 6,205,393	\$ 154,118

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

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

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

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

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Village had expenditures in excess of appropriations as follows:

<u>Fund Type/Fund/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
Land/Building:			
Capital Outlay	\$ 35,000	\$ 81,146	\$ 46,146
Enterprise Funds			
Water Fund:			
Filtration - Contractual Services	20,000	27,974	7,974
Supplies and Materials	75,000	79,600	4,600
Distribution - Contractual Services	10,000	11,327	1,327
Water Construction Fund:			
Contractual Services	239,000	309,662	70,662
Sewer Construction Fund:			
Contractual Services	100,000	317,863	217,863

With expenditures exceeding appropriations, the Village is expending monies that have not been appropriated and approved by Council. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2003- VOCW -003

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

It was noted that during the year that the Village made several expenditures in which an invoice was dated prior to the purchase order as certified by the Clerk, thus causing 68% of 2003 expenditures not to be certified in a timely manner.

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

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

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-VOCW-001	Ohio Revised Code Section 5705.39 requires that no fund have appropriations in excess of estimated resources.	No	Reissued as finding 2003-VOCW-001.
2002-VOCW-002	Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.	No	Reissued as finding 2003-VOCW-002.



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VILLAGE OF CANAL WINCHESTER

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 27, 2004**