

**VILLAGE OF CANAL WINCHESTER  
FRANKLIN COUNTY  
FINANCIAL STATEMENTS  
Years Ended December 31, 2006 and 2005**

**NANISA OSBORN, FINANCE DIRECTOR**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Canal Winchester  
36 South High St.  
Canal Winchester, OH 43110-1213

We have reviewed the *Independent Auditors' Report* of the Village of Canal Winchester, Franklin County, prepared by Jones, Cochenour & Co., for the audit period January 1, 2005 to December 31, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 20, 2007

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**VILLAGE OF CANAL WINCHESTER  
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## INDEPENDENT AUDITORS' REPORT

To the Members of Village Council  
Village of Canal Winchester  
Canal Winchester, Ohio 43110

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Canal Winchester, Franklin County, Ohio, (the "Village"), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Canal Winchester, Franklin County, Ohio as of December 31, 2006 and 2005, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and Street Maintenance and Repair Fund (2005, only), thereof and for the years then ended in conformity with the basis of accounting as described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Jones, Cochenour & Co.  
October 6, 2007

*much more than an accounting firm*

## VILLAGE OF CANAL WINCHESTER, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005 UNAUDITED

The management's discussion and analysis of the Village of Canal Winchester's (the "Village") financial performance provides an overall review of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the financial statements to enhance their understanding of the Village's financial performance.

#### FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- The total net cash assets of the Village increased \$2,410,866. Net cash assets of governmental activities increased \$2,333,857, which represents a 226.88% increase over fiscal year 2005. Net cash assets of business-type activities increased \$77,009 or 1.68% from fiscal year 2005.
- General cash receipts accounted for \$7,788,241 or 72.65% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,932,282 or 27.35% of total governmental activities cash receipts.
- The Village had \$8,372,782 in cash disbursements related to governmental activities; \$2,932,282 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$7,788,241 were adequate to provide for these programs.
- The Village's major funds are the general fund, and the Issue II fund. The general fund, the Village's largest major fund, had cash receipts of \$6,054,724 in 2006. The cash disbursements and other financing uses of the general fund, totaled \$5,038,699 in 2006. The general fund's cash balance increased \$1,016,025 from 2005 to 2006.
- The Issue II fund, a Village major fund, had cash receipts and other financing sources of \$4,200,518 in 2006. The Issue II fund had cash disbursements of \$2,885,583 in 2006. The Issue II fund cash balance increased \$1,314,935 from 2005 to 2006.
- Net cash assets for the water enterprise fund increased in 2006 by \$285,070 or 19.39%. The net cash assets for the sewer enterprise fund decreased in 2006 by \$209,632 or 6.78%.

Key financial highlights for 2005 are as follows:

- The total net cash assets of the Village increased \$1,831,729. Net cash assets of governmental activities increased \$397,635, which represents a 61.17% increase over fiscal year 2004. Net cash assets of business-type activities increased \$1,434,094 or 45.58% from fiscal year 2004.
- General cash receipts accounted for \$4,943,520 or 74.22% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,717,382 or 25.78% of total governmental activities cash receipts.
- The Village had \$6,263,267 in cash disbursements related to governmental activities; \$1,717,382 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$4,943,520 were adequate to provide for these programs.
- The Village's major funds are the general fund, the debt service fund and the street maintenance and repair fund. The general fund, the Village's largest major fund, had cash receipts of \$5,783,259 in 2005. The cash disbursements and other financing uses of the general fund, totaled \$5,519,242 in 2005. The general fund's cash balance increased \$264,017 from 2004 to 2005.
- The debt service fund, a Village major fund, had cash receipts and other financing sources of \$1,085,243 in 2005. The debt service fund had cash disbursements of \$1,050,965 in 2005. The debt service fund cash balance increased \$34,278 from 2004 to 2005.
- The street maintenance and repair fund, a Village major fund, had cash receipts and other financing sources of \$658,826 in 2005. The street maintenance and repair fund had cash disbursements of \$643,452 in 2005. The street maintenance and repair fund cash balance increased \$15,374 from 2004 to 2005.
- Net cash assets for the Water enterprise fund increased in 2005 by \$509,767 or 53.08%. The net cash assets for the Sewer enterprise fund increased in 2005 by \$958,198 or 44.86%.

**VILLAGE OF CANAL WINCHESTER, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005**  
**UNAUDITED**

**USING THE BASIC FINANCIAL STATEMENTS (BFS)**

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

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Village, presenting both an aggregate view of the Village's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds with all other nonmajor funds presented in total on one column. In the case of the Village, there are two major governmental funds. The general fund is the largest major fund.

**REPORTING THE VILLAGE AS A WHOLE**

**Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer the question, "How did we do financially during 2006 and 2005?" These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current years receipts and disbursements if the cash is actually received or paid.

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

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

In the Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis, the Village is divided into two distinct kinds of activities. Governmental Activities - Most of the Village's programs and services are reported here including human services, health, public safety, public works and general government. Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The Village's water, sewer, OWDA and storm water enterprise funds are reported as business activities.

The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis can be found later in this report.



## VILLAGE OF CANAL WINCHESTER, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005 UNAUDITED

#### REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS

##### Fund Financial Statements

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

Fund financial reports provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Village's most significant funds. The Village's major governmental funds are the General Fund, and Debt Service Fund, and Street Maintenance and Repair Fund for 2005. For 2006 the General Fund and Issue II fund are major. The analysis of the Village's major governmental funds is discussed later.

##### GOVERNMENTAL FUNDS

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

The Village's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the General Fund is presented to demonstrate the Village's compliance with annually adopted budgets.

##### PROPRIETARY FUNDS

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

##### FIDUCIARY FUNDS

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

##### NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to full understanding of the data provided in the government wide and fund financial statements.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005  
UNAUDITED

GOVERNMENT – WIDE FINANCIAL ANALYSIS

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

The table below provides a summary of the Village's net cash assets for 2006, 2005 and 2004.

	NET CASH ASSETS		
	Governmental Activities 2006	Business-type Activities 2006	2006 Total
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 3,362,543	\$ 4,657,621	\$ 8,020,164
<b>Total Assets</b>	<b>3,362,543</b>	<b>4,657,621</b>	<b>8,020,164</b>
<b>NET ASSETS</b>			
Restricted	1,729,112	-	1,729,112
Unrestricted	1,633,431	4,657,621	6,291,052
<b>Total Net Assets</b>	<b>\$ 3,362,543</b>	<b>\$ 4,657,621</b>	<b>\$ 8,020,164</b>
	NET CASH ASSETS		
	Governmental Activities 2005	Business-type Activities 2005	2005 Total
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 1,028,686	\$ 4,580,612	\$ 5,609,298
<b>Total Assets</b>	<b>1,028,686</b>	<b>4,580,612</b>	<b>5,609,298</b>
<b>NET ASSETS</b>			
Restricted	296,278	-	296,278
Unrestricted	732,408	4,580,612	5,313,020
<b>Total Net Assets</b>	<b>\$ 1,028,686</b>	<b>\$ 4,580,612</b>	<b>\$ 5,609,298</b>
	NET CASH ASSETS		
	Governmental Activities 2004	Business-type Activities 2004	2004 Total
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 631,051	\$ 3,146,518	\$ 3,777,569
<b>Total Assets</b>	<b>631,051</b>	<b>3,146,518</b>	<b>3,777,569</b>
<b>NET ASSETS</b>			
Restricted	278,235	-	278,235
Unrestricted	352,816	3,146,518	3,499,334
<b>Total Net Assets</b>	<b>\$ 631,051</b>	<b>\$ 3,146,518</b>	<b>\$ 3,777,569</b>

**2006 vs. 2005:**

The total net cash assets of the Village increased \$2,410,866. Net cash assets of governmental activities increased \$2,333,857, which represents a 226.88% increase over fiscal year 2005. Net cash assets of business-type activities increased \$77,009 or 1.68% from fiscal year 2005.

The balance of government-wide unrestricted net cash assets of \$6,291,052 may be used to meet the government's ongoing obligations to citizens and creditors.

**2005 vs. 2004:**

The total net assets of the Village increased \$1,831,729. Net cash assets of governmental activities increased \$397,635, which represents a 63.0% increase over fiscal year 2004. Net cash assets of business-type activities increased \$1,434,094 or 45.58% from fiscal year 2004.

The balance of government-wide unrestricted net assets of \$5,313,020 may be used to meet the government's ongoing obligations to citizens and creditors.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 and 2004  
UNAUDITED

The table below shows the change in the net cash assets for the fiscal years 2006, 2005 and 2004:

CHANGE IN CASH ASSETS

	Governmental Activities 2006	Business-type Activities 2006	2006 Total	Governmental Activities 2005	Business-type Activities 2005	2005 Total	Governmental Activities 2004	Business-type Activities 2004	2004 Total
<b>Cash Receipts:</b>									
<b>Program cash receipts:</b>									
Charges for services and sales	\$ 839,578	\$ 3,689,179	\$ 4,528,757	\$ 1,145,461	\$ 3,706,731	\$ 4,852,192	\$ 1,749,168	\$ 3,977,969	\$ 5,727,137
Operating grants and contributions	392,186	-	392,186	412,321	-	412,321	419,357	-	419,357
Capital grants and contributions	1,700,518	-	1,700,518	159,600	-	159,600	1,816,162	-	1,816,162
<b>Total program cash receipts</b>	<b>2,932,282</b>	<b>3,689,179</b>	<b>6,621,461</b>	<b>1,717,382</b>	<b>3,706,731</b>	<b>5,424,113</b>	<b>3,984,687</b>	<b>3,977,969</b>	<b>7,962,656</b>
<b>General cash receipts:</b>									
Property and other taxes	461,083	-	461,083	415,191	-	415,191	385,136	-	385,136
Income tax	4,066,770	-	4,066,770	3,514,761	-	3,514,761	2,982,128	-	2,982,128
Unrestricted grants	402,704	-	402,704	347,772	-	347,772	269,171	-	269,171
Sale of notes	2,500,000	3,700,000	6,200,000	-	900,000	900,000	2,550,000	-	2,550,000
EPA loan	-	989,991	989,991	-	-	-	2,550,000	5,650,000	8,200,000
Investment earnings	281,011	59,800	340,811	138,655	-	138,655	61,327	-	61,327
Other	76,673	53,509	130,182	527,141	39,566	566,707	21,366	-	21,366
<b>Total general cash receipts</b>	<b>7,788,241</b>	<b>4,803,300</b>	<b>12,591,541</b>	<b>4,943,520</b>	<b>939,566</b>	<b>5,883,086</b>	<b>8,819,128</b>	<b>5,650,000</b>	<b>14,469,128</b>
<b>Cash Disbursements:</b>									
<b>Current:</b>									
Security of persons and property	825,816	-	825,816	819,386	-	819,386	742,025	-	742,025
Public health services	37,118	-	37,118	31,540	-	31,540	31,096	-	31,096
Leisure time activities	463,032	-	463,032	286,980	-	286,980	321,394	-	321,394
Community environment	582,628	-	582,628	545,187	-	545,187	503,501	-	503,501
Transportation	1,098,815	-	1,098,815	1,326,062	-	1,326,062	1,674,997	-	1,674,997
General government	1,439,017	-	1,439,017	1,642,284	-	1,642,284	3,384,312	-	3,384,312
Capital outlay	3,158,221	-	3,158,221	534,363	-	534,363	659,429	-	659,429
<b>Debt service:</b>									
Principal retirement	483,959	-	483,959	490,277	-	490,277	5,386,498	-	5,386,498
Interest and fiscal charges	284,176	-	284,176	587,188	-	587,188	226,346	-	226,346
Water	-	6,172,613	6,172,613	-	972,188	972,188	-	945,483	945,483
Sewer	-	2,222,276	2,222,276	-	2,175,968	2,175,968	-	7,750,175	7,750,175
OWDA	-	-	-	-	64,047	64,047	-	67,165	67,165
Storm water	-	34,465	34,465	-	-	-	-	-	-
<b>Total cash disbursements</b>	<b>8,372,782</b>	<b>8,429,354</b>	<b>16,802,136</b>	<b>6,263,267</b>	<b>3,212,203</b>	<b>9,475,470</b>	<b>12,929,598</b>	<b>8,762,823</b>	<b>21,692,421</b>
<b>Transfers</b>	<b>(13,884)</b>	<b>13,884</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net cash assets</b>	<b>2,333,857</b>	<b>77,009</b>	<b>2,410,866</b>	<b>397,635</b>	<b>1,434,094</b>	<b>1,831,729</b>	<b>(125,783)</b>	<b>865,146</b>	<b>739,363</b>
Net cash assets beginning of year	1,028,686	4,580,612	5,609,298	631,051	3,146,518	3,777,569	775,788	2,281,372	3,057,160
Prior period adjustments	-	-	-	-	-	-	(18,954)	-	(18,954)
Net cash assets beginning of year - restated	1,028,686	4,580,612	5,609,298	631,051	3,146,518	3,777,569	756,834	2,281,372	3,038,206
<b>Net cash assets at end of year</b>	<b>\$ 3,362,543</b>	<b>\$ 4,657,621</b>	<b>\$ 8,020,164</b>	<b>\$ 1,028,686</b>	<b>\$ 4,580,612</b>	<b>\$ 5,609,298</b>	<b>\$ 631,051</b>	<b>\$ 3,146,518</b>	<b>\$ 3,777,569</b>

**VILLAGE OF CANAL WINCHESTER, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005**  
**UNAUDITED**

**GOVERNMENTAL ACTIVITIES**

**2006 and 2005 Comments:**

Governmental cash assets increased by \$2,333,857 in 2006 from 2005.

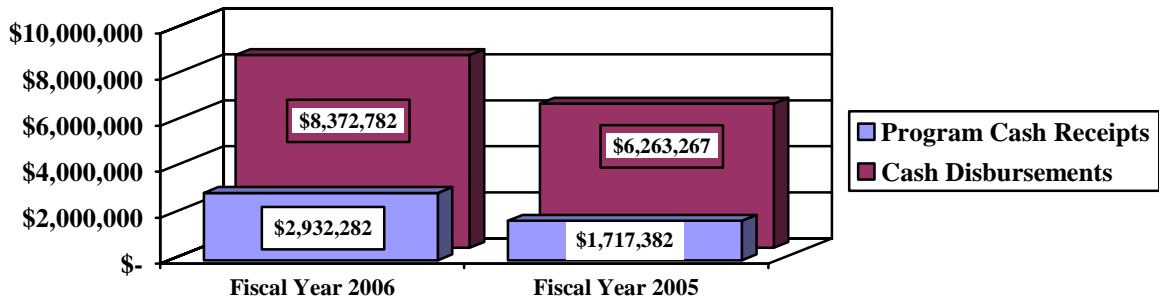
General government represents activities related to the governing body as well as activities that directly support Village programs. In 2006, general government cash disbursements totaled \$1,439,017, or 17.19% of total governmental cash disbursements. General government programs were supported by \$363,537 in direct charges to users for services.

Capital outlay represents activities relating to construction projects within the Village. During 2006, capital outlay cash disbursements totaled \$3,158,221, or 37.72% of total governmental cash disbursements. Capital outlay was supported primarily by \$1,700,518 in capital grants.

The Village program, transportation, accounted for \$1,098,815 or 13.12% of total governmental cash disbursements. Transportation service programs are primarily supported by user fees, and state and federal grants.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2006 and 2005. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

**Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements**



**2005 and 2004 Comments:**

General government represents activities related to the governing body as well as activities that directly support Village programs. In 2005, general government cash disbursements totaled \$1,642,284, or 26.22% of total governmental cash disbursements. General government programs were supported by \$423,790 in direct charges to users for services.

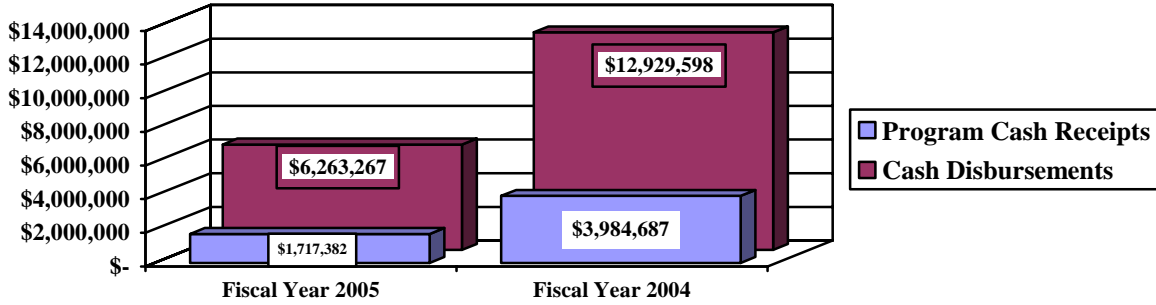
The Village program, transportation, accounted for \$1,326,062 or 21.17% of total governmental cash disbursements. Transportation service programs are primarily supported by user fees, and state and federal grants.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005 and 2004. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005  
UNAUDITED

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



GOVERNMENTAL ACTIVITIES

GOVERNMENTAL ACTIVITIES

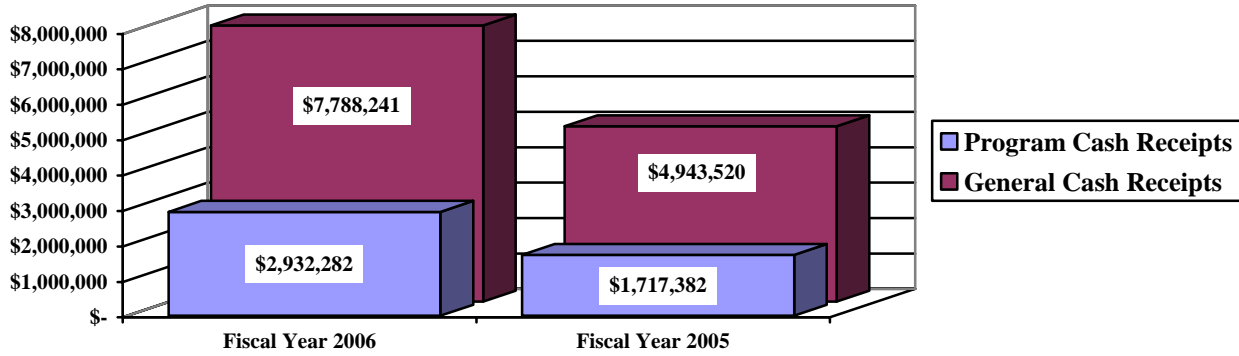
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Cash disbursements:						
Current:						
Security of persons and property	\$ 825,816	\$ 825,816	\$ 819,386	\$ 819,386	\$ 742,025	\$ 614,636
Public health services	37,118	37,118	31,540	31,540	31,096	31,096
Leisure time activities	463,032	336,057	286,980	143,464	321,394	209,802
Community environment	582,628	329,428	545,187	26,681	503,501	(446,369)
Transportation	1,098,815	624,387	1,326,062	905,144	1,674,997	(580,436)
General government	1,439,017	1,075,480	1,642,284	1,218,494	3,384,312	2,904,511
Capital outlay	3,158,221	1,444,079	534,363	323,711	659,429	598,827
Debt service:						
Principal retirement	483,959	483,959	490,277	490,277	5,386,498	5,386,498
Interest and fiscal charges	284,176	284,176	587,188	587,188	226,346	226,346
<b>Total</b>	<b>\$ 8,372,782</b>	<b>\$ 5,440,500</b>	<b>\$ 6,263,267</b>	<b>\$ 4,545,885</b>	<b>\$ 12,929,598</b>	<b>\$ 8,944,911</b>

The dependence upon general cash receipts for governmental activities is apparent; with 93.02% of cash disbursements supported through taxes and other general cash receipts during 2006 and 78.93% during 2005.

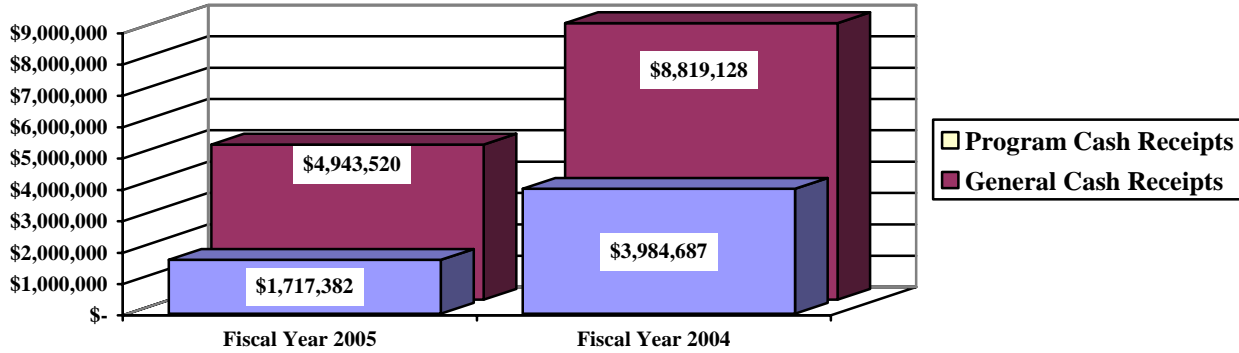
VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005  
UNAUDITED

Governmental Activities – General and Program Cash Receipts



Governmental Activities - General and Program Cash Receipts



**Business-Type Activities**

**2006 and 2005:**

The Water and Sewer funds are the Village's two major enterprise funds. These programs had cash receipts of \$8,470,327 and cash disbursements of \$8,394,889 for fiscal year 2006. The net cash assets of the programs increased \$75,438 from 2005. During 2006, the Water fund received proceeds of \$3,700,000 from notes and \$989,991 in EPA loans.

**2005 and 2004:**

The Water and Sewer funds are the Village's two major enterprise funds. These programs had cash receipts of \$4,616,121 and cash disbursements of \$3,148,156 for fiscal year 2005. The net cash assets of the programs increased \$1,467,965 from 2004. During 2005, the Sewer fund received proceeds of \$900,000 from notes.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005  
UNAUDITED

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The Village's governmental funds are accounted for using the cash basis of accounting.

2006 and 2005:

The Village's governmental funds reported a combined fund cash balance of \$3,362,543, which is \$2,333,857 above last year's total of \$1,028,686. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2006 and December 31, 2005, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2006</u>	<u>Fund Cash Balance</u> <u>December 31, 2005</u>	<u>Increase</u> <u>(Decrease)</u>
<b>Major Funds:</b>			
General	\$ 1,632,858	\$ 616,833	\$ 1,016,025
Issue II	1,328,760	13,825	1,314,935
Other Nonmajor Governmental Funds	<u>400,925</u>	<u>398,028</u>	<u>2,897</u>
<b>Total</b>	<u>\$ 3,362,543</u>	<u>\$ 1,028,686</u>	<u>\$ 2,333,857</u>

General Fund

The general fund, the Village's largest major fund, had cash receipts of \$6,054,724 in 2006. The cash disbursements and other financing uses of the general fund, totaled \$5,038,699 in 2006. The general fund's cash balance increased \$1,016,025 from 2005 to 2006.

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

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 4,478,224	\$ 3,890,700	15.10 %
Intergovernmental	402,704	347,772	15.80 %
Special assessments	70,243	72,939	(3.70) %
Charges for services	129,353	205,546	(37.07) %
Fines, licenses and permits	622,291	841,403	(26.04) %
Investment income	281,011	132,650	111.84 %
Rental income	-	16,443	(100.00) %
Other	<u>70,898</u>	<u>275,806</u>	(74.29) %
<b>Total</b>	<u>\$ 6,054,724</u>	<u>\$ 5,783,259</u>	4.69 %

Investment income cash receipts increased due to higher interest earning investments and due to the timing of the maturity of certain certificates of deposit. Charges for services decreased due to less fees being generated when compared to 2005. Taxes increased due to an increase in income tax within the Village. Intergovernmental revenue increased due to an increase in money that was received from grants. Fines, licenses and permits decreased due to a decrease in the amount of building permits, inspections and zoning fees assessed.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005  
UNAUDITED

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

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements</u></b>			
Security of persons and property	\$ 825,816	\$ 819,386	0.78 %
Public health service	37,118	31,540	17.69 %
Leisure time activity	261,649	128,857	103.05 %
Community environment	582,628	545,187	6.87 %
Transportation	527,927	748,594	(29.48) %
General government	1,437,314	1,488,506	(3.44) %
Capital outlay	243,740	430,471	(43.38) %
Debt service	-	26,500	(100.00) %
<b>Total</b>	<b><u>\$ 3,916,192</u></b>	<b><u>\$ 4,219,041</u></b>	<b>(7.18) %</b>

Leisure time activity expenditures increased due to more amounts spent on parks and the swimming pool. Transportation expenditures decreased due to less amounts spent on street maintenance and repair. Capital outlay expenditures decreased due to fewer capital asset acquisitions during the year. Overall, cash disbursements decreased \$302,849 from 2005.

2005 and 2004:

The Village's governmental funds reported a combined fund cash balance of \$1,028,686, which is \$397,635 above last year's total of \$631,051. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2005 and December 31, 2004, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2005</u>	<u>Fund Cash Balance</u> <u>December 31, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
<b>Major Funds:</b>			
General	\$ 616,833	\$ 352,816	\$ 264,017
Debt Service	30,134	(4,144)	34,278
Street Maintenance and Repair	117,748	102,374	15,374
Other Nonmajor Governmental Funds	<u>263,971</u>	<u>180,005</u>	<u>83,966</u>
<b>Total</b>	<b><u>\$ 1,028,686</u></b>	<b><u>\$ 631,051</u></b>	<b><u>\$ 397,635</u></b>

**General Fund**

The general fund, the Village's largest major fund, had cash receipts of \$5,783,259 in 2005. The cash disbursements and other financing uses of the general fund, totaled \$5,519,242 in 2005. The general fund's cash balance increased \$264,017 from 2004 to 2005.

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



VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005  
 UNAUDITED

Investment income cash receipts increased due to higher interest earning investments and due to the timing of the maturity of certain certificates of deposit. Charges for services decreased due to a large one-time receipt received in 2004 that did not occur in 2005. Taxes increased due to an increase in income tax within the Village. Intergovernmental revenue increased due to an increase in money that was received from grants. Fines, licenses and permits increased due to an increase in the amount of building permits, inspections and zoning fees assessed. All other revenue remained comparable to 2004.

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

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements</u></b>			
Security of persons and property	\$ 819,386	\$ 742,025	10.43 %
Public health service	31,540	31,096	1.43 %
Leisure time activity	128,857	151,171	(14.76) %
Community environment	545,187	503,501	8.28 %
Transportation	748,594	1,192,231	(37.21) %
General government	1,488,506	1,565,968	(4.95) %
Capital outlay	430,471	579,460	(25.71) %
Debt service	<u>26,500</u>	<u>27,500</u>	(3.64) %
<b>Total</b>	<b><u>\$ 4,219,041</u></b>	<b><u>\$ 4,792,952</u></b>	<b>(11.97) %</b>

Transportation expenditures decreased due to fewer amounts spent on street maintenance and repair. Capital outlay expenditures decreased due to fewer capital asset acquisitions during the year. Overall, cash disbursements decreased \$573,911 from 2004.

**Issue II Fund**

The Issue II fund, a Village major fund, had cash receipts and other financing sources of \$4,200,518 in 2006. The Issue II fund had cash disbursements of \$2,885,583 in 2006. The Issue II fund cash balance increased \$1,314,935 from 2005 to 2006.

**Debt Service Fund**

The debt service fund, a Village major fund, had cash receipts and other financing sources of \$1,085,243 in 2005. The debt service fund had cash disbursements of \$1,050,965 in 2005. The debt service fund cash balance increased \$34,278 from 2004 to 2005.

**Street Maintenance and Repair Fund**

The street maintenance and repair fund, a Village major fund, had cash receipts and other financing sources of \$658,826 in 2005. The street maintenance and repair fund had cash disbursements of \$643,452 in 2005. The street maintenance and repair fund cash balance increased \$15,374 from 2004 to 2005.

**Budgeting Highlights - General Fund**

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005  
UNAUDITED

2006 and 2005:

For the general fund, final budget basis receipts were unchanged from original budget estimates of \$5,754,734. Actual cash receipts of \$6,054,724 were greater than final budget estimates by \$299,990. The final budgetary basis disbursements and other financing uses of \$6,374,860 were \$211,210 above original budget estimates. The actual budgetary basis disbursements and other financing uses of \$5,203,839 were \$1,171,021 less than the final budget estimates.

2005 and 2004:

For the general fund, final budget basis receipts were \$177,788 above original budget estimates of \$5,676,041. Actual cash receipts of \$5,783,259 were less than final budget estimates by \$70,570. The final budgetary basis disbursements and other financing uses of \$6,131,032 were \$398,756 above original budget estimates. The actual budgetary basis disbursements and other financing uses of \$5,606,845 were \$524,187 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

2006 and 2005:

The Village does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The Village had capital outlay disbursements of \$4,748,323 during fiscal year 2006.

2005 and 2004:

The Village does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The Village had capital outlay disbursements of \$1,660,995 during fiscal year 2005.

Debt Administration

The Village had the following long-term obligations outstanding at December 31, 2006, 2005 and 2004:

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
G.O. Bonds	\$ 6,005,000	\$ 6,350,000	\$ 6,675,000
Promissory note	-	-	26,500
Bond anticipation notes	2,500,000	-	-
OPWC loans	<u>2,307,681</u>	<u>2,446,458</u>	<u>2,585,235</u>
Total long-term obligations	<u>\$ 10,812,681</u>	<u>\$ 8,796,458</u>	<u>\$ 9,286,735</u>
	Business-Type Activities <u>2006</u>	Business-Type Activities <u>2005</u>	Business-Type Activities <u>2004</u>
Mortgage revenue bonds	\$ 5,235,000	\$ 5,445,000	\$ 5,650,000
EPA loan	989,991	-	-
Sewer improvement note	-	900,000	-
OPWC loans	270,171	287,605	304,658
OWDA loans	<u>1,435,471</u>	<u>1,634,466</u>	<u>1,823,311</u>
Total long-term obligations	<u>\$ 7,930,633</u>	<u>\$ 8,267,071</u>	<u>\$ 7,777,969</u>

**VILLAGE OF CANAL WINCHESTER, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005  
UNAUDITED**

**Economic Factors and Next Year's Budgets and Rates**

The following economic factors were taken into consideration in preparing the budget for fiscal year 2006:

The Village is located in the vicinity of the City of Columbus, which has an unemployment rate currently of 4.4%, compared to the 5.6% state average and the 4.6% national average.

State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds may be cut by 10% in the next biennial State budget. These funds represented 7% of the village's general fund revenue in 2006. Sales and property tax revenues are expected to remain consistent as well as expenditures for fiscal year 2007.

These economic factors were considered in preparing the Village's budget for fiscal year 2006. Budgeted revenues and other financing sources in the general fund for fiscal year 2006 are \$5,754,735. The Village has continued to practice conservative budgetary practices in order to preserve a positive financial position in future years. The following economic factors were taken into consideration in preparing the budget for fiscal year 2005:

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

The Village is located in the vicinity of the City of Columbus, which has an unemployment rate currently of 4.8%, compared to the 5.9% state average and the 4.9% national average.

State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds may be cut by 10% in the next biennial State budget. These funds represented 7% of the village's general fund revenue in 2005. Sales and property tax revenues are expected to remain consistent as well as expenditures for fiscal year 2006.

These economic factors were considered in preparing the Village's budget for fiscal year 2005. Budgeted revenues and other financing sources in the general fund for fiscal year 2005 are \$5,853,829. The Village has continued to practice conservative budgetary practices in order to preserve a positive financial position in future years.

**Contacting the Village's Financial Management**

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

**Village of Canal Winchester  
Statement of Net Assets – Cash Basis  
December 31, 2006 and 2005**

	<u>2006</u>			<u>2005</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>						
Equity in pooled cash and cash equivalents	<u>\$ 3,362,543</u>	<u>\$ 4,657,621</u>	<u>\$ 8,020,164</u>	<u>\$ 1,028,686</u>	<u>\$ 4,580,612</u>	<u>\$ 5,609,298</u>
<b>Total assets</b>	<u>3,362,543</u>	<u>4,657,621</u>	<u>8,020,164</u>	<u>1,028,686</u>	<u>4,580,612</u>	<u>5,609,298</u>
<b>Net cash assets:</b>						
<b>Restricted for:</b>						
Leisure time activities	48,054	-	48,054	50,810	-	50,810
Transportation	314,869	-	314,869	127,734	-	127,734
General government	18,477	-	18,477	26,064	-	26,064
Other purposes	18,952	-	18,952	44,711	-	44,711
Debt service	-	-	-	30,134	-	30,134
Capital projects	1,328,760	-	1,328,760	13,825	-	13,825
Unrestricted	<u>1,633,431</u>	<u>4,657,621</u>	<u>6,291,052</u>	<u>735,408</u>	<u>4,580,612</u>	<u>5,316,020</u>
<b>Total net cash assets</b>	<u>\$ 3,362,543</u>	<u>\$ 4,657,621</u>	<u>\$ 8,020,164</u>	<u>\$ 1,028,686</u>	<u>\$ 4,580,612</u>	<u>\$ 5,609,298</u>

See Accompanying Notes to the Basic Financial Statements

**Village of Canal Winchester  
Statement of Activities – Cash Basis  
Year Ended December 31, 2006**

	Program Cash Receipts				Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
<b>Current:</b>							
Security of persons and property	\$ 825,816	\$ -	\$ -	\$ -	\$ (825,816)	\$ -	\$ (825,816)
Public health services	37,118	-	-	-	(37,118)	-	(37,118)
Leisure time activities	463,032	126,975	-	-	(336,057)	-	(336,057)
Community environment	582,628	253,200	-	-	(329,428)	-	(329,428)
Transportation	1,098,815	89,895	384,533	-	(624,387)	-	(624,387)
General government	1,439,017	363,537	-	-	(1,075,480)	-	(1,075,480)
Capital outlay	3,158,221	5,971	7,653	1,700,518	(1,444,079)	-	(1,444,079)
<b>Debt service:</b>							
Principal retirement	483,959	-	-	-	(483,959)	-	(483,959)
Interest and fiscal charges	284,176	-	-	-	(284,176)	-	(284,176)
<b>Total governmental activities</b>	<b>8,372,782</b>	<b>839,578</b>	<b>392,186</b>	<b>1,700,518</b>	<b>(5,440,500)</b>	<b>-</b>	<b>(5,440,500)</b>
<b>Business-Type activities:</b>							
Water	6,172,613	1,666,459	-	-	-	(4,506,154)	(4,506,154)
Sewer	2,222,276	1,986,684	-	-	-	(235,592)	(235,592)
<b>Other enterprise fund:</b>							
Storm Water	34,465	36,036	-	-	-	1,571	1,571
<b>Total business-type activities</b>	<b>8,429,354</b>	<b>3,689,179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,740,175)</b>	<b>(4,740,175)</b>
<b>Totals</b>	<b>\$ 16,802,136</b>	<b>\$ 4,528,757</b>	<b>\$ 392,186</b>	<b>\$ 1,700,518</b>	<b>(5,440,500)</b>	<b>(4,740,175)</b>	<b>(10,180,675)</b>
<b>General Cash Receipts and Transfers:</b>							
<b>Property and other taxes levied for:</b>							
General purposes					411,454	-	411,454
Special revenue					49,629	-	49,629
Income taxes					4,066,770	-	4,066,770
Grants and entitlements not restricted to specific programs					402,704	-	402,704
Sale of notes					2,500,000	3,700,000	6,200,000
EPA loan					-	989,991	989,991
Investment receipts					281,011	59,800	340,811
Miscellaneous					76,673	53,509	130,182
<b>Total general cash receipts</b>					<b>7,788,241</b>	<b>4,803,300</b>	<b>12,591,541</b>
<b>Transfers</b>					<b>(13,884)</b>	<b>13,884</b>	<b>-</b>
<b>Total general cash receipts and transfers</b>					<b>7,774,357</b>	<b>4,817,184</b>	<b>12,591,541</b>
<b>Change in net cash assets</b>					<b>2,333,857</b>	<b>77,009</b>	<b>2,410,866</b>
<b>Net cash assets at beginning of year</b>					<b>1,028,686</b>	<b>4,580,612</b>	<b>5,609,298</b>
<b>Net cash assets at end of year</b>					<b>\$ 3,362,543</b>	<b>\$ 4,657,621</b>	<b>\$ 8,020,164</b>

See Accompanying Notes to the Basic Financial Statements

**Village of Canal Winchester  
Statement of Activities – Cash Basis  
Year Ended December 31, 2005**

	Program Cash Receipts				Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
<b>Current:</b>							
Security of persons and property	\$ 819,386	\$ -	\$ -	\$ -	\$ (819,386)	\$ -	\$ (819,386)
Public health services	31,540	-	-	-	(31,540)	-	(31,540)
Leisure time activities	286,980	143,516	-	-	(143,464)	-	(143,464)
Community environment	545,187	518,506	-	-	(26,681)	-	(26,681)
Transportation	1,326,062	85,089	335,829	-	(905,144)	-	(905,144)
General government	1,642,284	398,031	25,759	-	(1,218,494)	-	(1,218,494)
Capital outlay	534,363	319	50,733	159,600	(323,711)	-	(323,711)
<b>Debt service:</b>							
Principal retirement	490,277	-	-	-	(490,277)	-	(490,277)
Interest and fiscal charges	587,188	-	-	-	(587,188)	-	(587,188)
<b>Total governmental activities</b>	<b>6,263,267</b>	<b>1,145,461</b>	<b>412,321</b>	<b>159,600</b>	<b>(4,545,885)</b>	<b>-</b>	<b>(4,545,885)</b>
<b>Business-Type activities:</b>							
Water	972,188	1,442,389	-	-	-	470,201	470,201
Sewer	2,175,968	2,234,166	-	-	-	58,198	58,198
<b>Other enterprise fund:</b>							
OWDA	64,047	-	-	-	-	(64,047)	(64,047)
Storm Water	-	30,176	-	-	-	30,176	30,176
<b>Total business-type activities</b>	<b>3,212,203</b>	<b>3,706,731</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>494,528</b>	<b>494,528</b>
<b>Totals</b>	<b>\$ 9,475,470</b>	<b>\$ 4,852,192</b>	<b>\$ 412,321</b>	<b>\$ 159,600</b>	<b>(4,545,885)</b>	<b>494,528</b>	<b>(4,051,357)</b>
<b>General Cash Receipts and Transfers:</b>							
<b>Property and other taxes levied for:</b>							
General purposes					375,939	-	375,939
Special revenue					39,252	-	39,252
Income taxes					3,514,761	-	3,514,761
Grants and entitlements not restricted to specific programs					347,772	-	347,772
Sale of notes					-	-	-
EPA loan					-	900,000	900,000
Investment receipts					138,655	-	138,655
Miscellaneous					527,141	39,566	566,707
<b>Total general cash receipts</b>					<b>4,943,520</b>	<b>939,566</b>	<b>5,883,086</b>
<b>Change in net cash assets</b>					<b>397,635</b>	<b>1,434,094</b>	<b>1,831,729</b>
<b>Net cash assets at beginning of year</b>					<b>650,005</b>	<b>3,146,518</b>	<b>3,796,523</b>
<b>Prior period adjustments</b>					<b>(18,954)</b>	<b>-</b>	<b>(18,954)</b>
<b>Net cash assets beginning of year - restated</b>					<b>631,051</b>	<b>3,146,518</b>	<b>3,777,569</b>
<b>Net cash assets at end of year</b>					<b>\$ 1,028,686</b>	<b>\$ 4,580,612</b>	<b>\$ 5,609,298</b>

See Accompanying Notes to the Basic Financial Statements

**Village of Canal Winchester  
Statements of Assets and Fund Cash Balance  
Governmental Funds  
December 31, 2006 and 2005**

	2006				2005				
	General	Issue II	Other Governmental Funds	Total Governmental Funds	General	Debt Service	Street Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>									
Equity in pooled cash and cash equivalents	<u>\$ 1,632,858</u>	<u>\$ 1,328,760</u>	<u>\$ 400,925</u>	<u>\$ 3,362,543</u>	<u>\$ 616,833</u>	<u>\$ 30,134</u>	<u>\$ 117,748</u>	<u>\$ 263,971</u>	<u>\$ 1,028,686</u>
<b>Total assets</b>	<u><u>\$ 1,632,858</u></u>	<u><u>\$ 1,328,760</u></u>	<u><u>\$ 400,925</u></u>	<u><u>\$ 3,362,543</u></u>	<u><u>\$ 616,833</u></u>	<u><u>\$ 30,134</u></u>	<u><u>\$ 117,748</u></u>	<u><u>\$ 263,971</u></u>	<u><u>\$ 1,028,686</u></u>
<b>Fund cash balances:</b>									
Reserved for encumbrances	\$ 165,140	\$ 1,204,691	\$ 4,717	\$ 1,374,548	\$ 87,603	\$ -	\$ -	\$ 10,767	\$ 98,370
Unreserved, undesignated (deficit), reported									
General fund	1,467,718	-	-	1,467,718	529,230	-	-	-	529,230
Special revenue funds	-	-	400,352	400,352	-	-	117,748	249,319	367,067
Debt service funds	-	-	(4,144)	(4,144)	-	-	-	-	-
Capital projects fund	-	124,069	-	124,069	-	-	-	3,885	3,885
<b>Total fund cash balances</b>	<u><u>\$ 1,632,858</u></u>	<u><u>\$ 1,328,760</u></u>	<u><u>\$ 400,925</u></u>	<u><u>\$ 3,362,543</u></u>	<u><u>\$ 616,833</u></u>	<u><u>\$ 30,134</u></u>	<u><u>\$ 117,748</u></u>	<u><u>\$ 263,971</u></u>	<u><u>\$ 1,028,686</u></u>

See Accompanying Notes to the Basic Financial Statements

**Village of Canal Winchester**  
**Statements of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances**  
**Governmental Funds**  
**For the Years Ended December 31, 2006 and 2005**

	2006				2005				
	General	Issue II	Other Governmental Funds	Total Governmental Funds	General	Debt Service	Street Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<b>Cash receipts:</b>									
Taxes	\$ 4,478,224	\$ -	\$ 49,629	\$ 4,527,853	\$ 3,890,700	\$ -	\$ -	\$ 39,252	\$ 3,929,952
Intergovernmental	402,704	1,700,518	392,186	2,495,408	347,772	-	337,096	234,825	919,693
Special assessments	70,243	-	-	70,243	72,939	-	-	2,125	75,064
Charges for services	129,353	-	-	129,353	205,546	-	-	-	205,546
Fines, licenses and permits	622,291	-	6,774	629,065	841,403	-	-	7,005	848,408
Interest	281,011	-	-	281,011	132,650	-	4,448	1,557	138,655
Rental income	-	-	10,917	10,917	16,443	-	-	-	16,443
Contributions and donations	-	-	-	-	-	-	-	10,000	10,000
Other	70,898	-	5,775	76,673	275,806	241,335	-	-	517,141
<b>Total cash receipts</b>	<b>6,054,724</b>	<b>1,700,518</b>	<b>465,281</b>	<b>8,220,523</b>	<b>5,783,259</b>	<b>241,335</b>	<b>341,544</b>	<b>294,764</b>	<b>6,660,902</b>
<b>Cash disbursements:</b>									
<b>Current:</b>									
Security of persons and property	825,816	-	-	825,816	819,386	-	-	-	819,386
Public health services	37,118	-	-	37,118	31,540	-	-	-	31,540
Leisure time activities	261,649	-	201,383	463,032	128,857	-	-	158,123	286,980
Community environment	582,628	-	-	582,628	545,187	-	-	-	545,187
Transportation	527,927	-	570,888	1,098,815	748,594	-	546,628	30,840	1,326,062
General government	1,437,314	-	1,703	1,439,017	1,488,506	-	-	4,118	1,492,624
Capital outlay	243,740	2,885,583	28,898	3,158,221	430,471	-	96,824	156,728	684,023
<b>Debt service:</b>									
Principal retirement	-	-	483,777	483,777	26,500	463,777	-	-	490,277
Interest and fiscal charges	-	-	284,358	284,358	-	587,188	-	-	587,188
<b>Total cash disbursements</b>	<b>3,916,192</b>	<b>2,885,583</b>	<b>1,571,007</b>	<b>8,372,782</b>	<b>4,219,041</b>	<b>1,050,965</b>	<b>643,452</b>	<b>349,809</b>	<b>6,263,267</b>
<b>Excess of cash receipts over (under) cash disbursements</b>	<b>2,138,532</b>	<b>(1,185,065)</b>	<b>(1,105,726)</b>	<b>(152,259)</b>	<b>1,564,218</b>	<b>(809,630)</b>	<b>(301,908)</b>	<b>(55,045)</b>	<b>397,635</b>
<b>Other financing receipts (disbursements):</b>									
Sale of notes	-	2,500,000	-	2,500,000	-	-	-	-	-
Transfers in	-	-	1,134,382	1,134,382	-	843,908	317,282	139,011	1,300,201
Transfers out	(1,122,507)	-	(25,759)	(1,148,266)	(1,300,201)	-	-	-	(1,300,201)
<b>Total other financing receipts (disbursements)</b>	<b>(1,122,507)</b>	<b>2,500,000</b>	<b>1,108,623</b>	<b>2,486,116</b>	<b>(1,300,201)</b>	<b>843,908</b>	<b>317,282</b>	<b>139,011</b>	<b>-</b>
<b>Net change in fund cash balances</b>	<b>1,016,025</b>	<b>1,314,935</b>	<b>2,897</b>	<b>2,333,857</b>	<b>264,017</b>	<b>34,278</b>	<b>15,374</b>	<b>83,966</b>	<b>397,635</b>
<b>Fund cash balances at beginning of year</b>	<b>616,833</b>	<b>13,825</b>	<b>398,028</b>	<b>1,028,686</b>	<b>371,770</b>	<b>(4,144)</b>	<b>102,374</b>	<b>180,005</b>	<b>650,005</b>
Prior period adjustments	-	-	-	-	(18,954)	-	-	-	(18,954)
<b>Net cash assets beginning of year - restated</b>	<b>616,833</b>	<b>13,825</b>	<b>398,028</b>	<b>1,028,686</b>	<b>352,816</b>	<b>(4,144)</b>	<b>102,374</b>	<b>180,005</b>	<b>631,051</b>
<b>Fund cash balances at end of year</b>	<b>\$ 1,632,858</b>	<b>\$ 1,328,760</b>	<b>\$ 400,925</b>	<b>\$ 3,362,543</b>	<b>\$ 616,833</b>	<b>\$ 30,134</b>	<b>\$ 117,748</b>	<b>\$ 263,971</b>	<b>\$ 1,028,686</b>

See Accompanying Notes to the Basic Financial Statements



**Village of Canal Winchester**  
**Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance –**  
**Budget and Actual (Budgetary Basis)**  
**General Fund**  
**For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>Budgetary basis receipts:</b>				
Taxes	\$ 4,256,345	\$ 4,256,345	\$ 4,478,224	\$ 221,879
Intergovernmental	382,752	382,752	402,704	19,952
Special assessments	66,763	66,763	70,243	3,480
Charges for services	122,944	122,944	129,353	6,409
Fines, licenses and permits	591,458	591,458	622,291	30,833
Interest	267,088	267,088	281,011	13,923
Other	67,384	67,385	70,898	3,513
<b>Total budgetary basis receipts</b>	<u>5,754,734</u>	<u>5,754,735</u>	<u>6,054,724</u>	<u>299,989</u>
<b>Budgetary basis disbursements:</b>				
<b>Current:</b>				
Security of persons and property	832,750	832,960	828,242	4,718
Public health services	34,000	34,000	37,118	(3,118)
Leisure time activities	165,863	165,863	261,649	(95,786)
Community environment	660,020	689,020	602,657	86,363
Transportation	893,256	893,256	546,718	346,538
General government	1,700,270	1,714,667	1,514,444	200,223
Capital outlay	594,984	674,984	290,504	384,480
<b>Total budgetary basis disbursements</b>	<u>4,881,143</u>	<u>5,004,750</u>	<u>4,081,332</u>	<u>923,418</u>
Excess of budgetary basis receipts over budgetary basis disbursements	<u>873,591</u>	<u>749,985</u>	<u>1,973,392</u>	<u>1,223,407</u>
<b>Other financing uses:</b>				
Transfers out	(1,282,507)	(1,282,507)	(1,122,507)	160,000
<b>Total other financing uses</b>	<u>(1,282,507)</u>	<u>(1,282,507)</u>	<u>(1,122,507)</u>	<u>160,000</u>
<b>Net change in fund cash balance</b>	<b>(408,916)</b>	<b>(532,522)</b>	<b>850,885</b>	<b>1,383,407</b>
<b>Fund cash balance at beginning of year</b>	<b>529,230</b>	<b>529,230</b>	<b>529,230</b>	<b>-</b>
<b>Prior year encumbrances appropriated</b>	<u>87,603</u>	<u>87,603</u>	<u>87,603</u>	<u>-</u>
<b>Fund cash balance at end of year</b>	<u><u>\$ 207,917</u></u>	<u><u>\$ 84,311</u></u>	<u><u>\$ 1,467,718</u></u>	<u><u>\$ 1,383,407</u></u>

**Village of Canal Winchester**  
**Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance –**  
**Budget and Actual (Budgetary Basis)**  
**General Fund**  
**For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>Budgetary basis receipts:</b>				
Taxes	\$ 3,818,568	\$ 3,938,175	\$ 3,890,700	\$ (47,475)
Intergovernmental	341,325	352,016	347,772	(4,244)
Special assessments	71,587	73,829	72,939	(890)
Charges for services	201,735	208,054	205,546	(2,508)
Fines, licenses and permits	825,804	851,670	841,403	(10,267)
Interest	130,191	134,269	132,650	(1,619)
Rental income	16,138	16,644	16,443	(201)
Other	270,693	279,172	275,806	(3,366)
<b>Total budgetary basis receipts</b>	<u>5,676,041</u>	<u>5,853,829</u>	<u>5,783,259</u>	<u>(70,570)</u>
<b>Budgetary basis disbursements:</b>				
<b>Current:</b>				
Security of persons and property	822,350	826,550	819,386	7,164
Public health services	34,150	34,150	31,540	2,610
Leisure time activities	176,710	176,710	128,265	48,445
Community environment	592,481	592,481	545,162	47,319
Transportation	624,700	920,056	763,550	156,506
General government	1,596,520	1,695,720	1,556,518	139,202
Capital outlay	521,000	521,000	435,723	85,277
<b>Debt service:</b>				
Principal retirement	-	-	26,500	(26,500)
<b>Total budgetary basis disbursements</b>	<u>4,367,911</u>	<u>4,766,667</u>	<u>4,306,644</u>	<u>460,023</u>
<b>Excess of budgetary basis receipts     over budgetary basis disbursements</b>	<u>1,308,130</u>	<u>1,087,162</u>	<u>1,476,615</u>	<u>389,453</u>
<b>Other financing disbursements:</b>				
Transfers out	(1,364,365)	(1,364,365)	(1,300,201)	64,164
<b>Total other financing disbursements</b>	<u>(1,364,365)</u>	<u>(1,364,365)</u>	<u>(1,300,201)</u>	<u>64,164</u>
<b>Net change in fund cash balance</b>	(56,235)	(277,203)	176,414	453,617
<b>Fund cash balance at beginning of year-restated</b>	<u>352,816</u>	<u>352,816</u>	<u>352,816</u>	<u>-</u>
<b>Fund cash balance at end of year</b>	<u>\$ 296,581</u>	<u>\$ 75,613</u>	<u>\$ 529,230</u>	<u>\$ 453,617</u>

**Village of Canal Winchester**  
**Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance –**  
**Budget and Actual (Budgetary Basis)**  
**Street Maintenance and Repair Fund**  
**For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Budgetary basis receipts:</b>				
Intergovernmental	\$ 346,447	\$ 346,447	\$ 337,096	\$ (9,351)
Interest	4,571	4,571	4,448	(123)
<b>Total budgetary basis receipts</b>	<b>351,018</b>	<b>351,018</b>	<b>341,544</b>	<b>(9,474)</b>
<b>Budgetary basis disbursements:</b>				
<b>Current:</b>				
Transportation	595,602	620,602	546,628	73,974
Capital outlay	84,500	84,500	96,824	(12,324)
<b>Total budgetary basis disbursements</b>	<b>680,102</b>	<b>705,102</b>	<b>643,452</b>	<b>61,650</b>
<b>Excess of budgetary basis disbursements</b>				
<b>over budgetary basis receipts</b>	<b>(329,084)</b>	<b>(354,084)</b>	<b>(301,908)</b>	<b>52,176</b>
<b>Other financing receipts:</b>				
Transfers in	326,083	326,083	317,282	(8,801)
<b>Total other financing receipts</b>	<b>326,083</b>	<b>326,083</b>	<b>317,282</b>	<b>(8,801)</b>
<b>Net change in fund cash balance</b>	<b>(3,001)</b>	<b>(28,001)</b>	<b>15,374</b>	<b>43,375</b>
<b>Fund cash balance at beginning of year</b>	<b>102,374</b>	<b>102,374</b>	<b>102,374</b>	<b>-</b>
<b>Fund cash balance at end of year</b>	<b>\$ 99,373</b>	<b>\$ 74,373</b>	<b>\$ 117,748</b>	<b>\$ 43,375</b>

**Village of Canal Winchester**  
**Statement of Cash Basis Assets and Net Cash Assets**  
**Enterprise Funds**  
**December 31, 2006**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Other Enterprise</b>	<b>Total</b>
<b>Assets:</b>				
<b>Current assets:</b>				
Equity in pooled cash and cash equivalents	\$ 1,755,190	\$ 2,884,726	\$ 17,705	\$ 4,657,621
<b>Total assets</b>	<b>1,755,190</b>	<b>2,884,726</b>	<b>17,705</b>	<b>4,657,621</b>
<b>Net cash assets:</b>				
Unrestricted	1,755,190	2,884,726	17,705	4,657,621
<b>Total net cash assets</b>	<b>\$ 1,755,190</b>	<b>\$ 2,884,726</b>	<b>\$ 17,705</b>	<b>\$ 4,657,621</b>

**Village of Canal Winchester**  
**Statement of Cash Basis Assets and Net Cash Assets**  
**Enterprise Funds**  
**December 31, 2005**

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Enterprise	Total
<b>Cash assets:</b>				
Equity in pooled cash and cash equivalents	\$ 1,470,120	\$ 3,094,358	\$ 16,134	\$ 4,580,612
<b>Total assets</b>	1,470,120	3,094,358	16,134	4,580,612
<b>Net cash assets:</b>				
Unrestricted	1,470,120	3,094,358	16,134	4,580,612
<b>Total net cash assets</b>	\$ 1,470,120	\$ 3,094,358	\$ 16,134	\$ 4,580,612

**Village of Canal Winchester**  
**Statement of Cash Receipts, Cash Disbursements and Changes in Net Cash Assets**  
**Enterprise Funds**  
**For the Year Ended December 31, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Other Enterprise</b>	<b>Total</b>
<b>Operating cash receipts:</b>				
Charges for services	\$ 1,119,857	\$ 1,138,185	\$ 36,036	\$ 2,294,078
Capacity fees	517,963	848,499	-	1,366,462
Other operating cash receipts	41,433	12,076	-	53,509
<b>Total operating cash receipts</b>	<b>1,679,253</b>	<b>1,998,760</b>	<b>36,036</b>	<b>3,714,049</b>
<b>Operating cash disbursements:</b>				
Personal services	308,028	285,206	-	593,234
Transportation	7,287	5,428	-	12,715
Contractual services	161,957	267,987	34,465	464,409
Materials and supplies	185,734	39,964	-	225,698
Capital outlay	1,458,913	131,189	-	1,590,102
Other	55,788	-	-	55,788
<b>Total operating cash disbursements</b>	<b>2,177,707</b>	<b>729,774</b>	<b>34,465</b>	<b>2,941,946</b>
<b>Operating cash receipts over (under) operating cash disbursements</b>	<b>(498,454)</b>	<b>1,268,986</b>	<b>1,571</b>	<b>772,103</b>
<b>Nonoperating cash receipts (disbursements):</b>				
Rental income	28,639	-	-	28,639
Interest income	59,800	-	-	59,800
Sale of notes	3,700,000	-	-	3,700,000
EPA loan	989,991	-	-	989,991
Debt service:				
Principal	(3,806,015)	(1,220,414)	-	(5,026,429)
Interest and other fiscal charges	(188,891)	(272,088)	-	(460,979)
<b>Total nonoperating cash receipts</b>	<b>783,524</b>	<b>(1,492,502)</b>	<b>-</b>	<b>(708,978)</b>
<b>Net cash receipts over (under) cash disbursements before transfers</b>	<b>285,070</b>	<b>(223,516)</b>	<b>1,571</b>	<b>63,125</b>
Transfers in	-	13,884	-	13,884
<b>Changes in net cash assets</b>	<b>285,070</b>	<b>(209,632)</b>	<b>1,571</b>	<b>77,009</b>
<b>Net cash assets at beginning of year</b>	<b>1,470,120</b>	<b>3,094,358</b>	<b>16,134</b>	<b>4,580,612</b>
<b>Net cash assets at end of year</b>	<b>\$ 1,755,190</b>	<b>\$ 2,884,726</b>	<b>\$ 17,705</b>	<b>\$ 4,657,621</b>

**Village of Canal Winchester**  
**Statement of Cash Receipts, Cash Disbursements and Changes in Net Cash Assets**  
**Enterprise Funds**  
**For the Year Ended December 31, 2005**

	Business-Type Activities - Enterprise Funds			Total
	Water	Sewer	Other Enterprise	
<b>Operating cash receipts:</b>				
Charges for services	\$ 998,801	\$ 1,062,144	\$ 30,176	\$ 2,091,121
Capacity fees	443,588	1,172,022	-	1,615,610
<b>Total operating cash receipts</b>	<b>1,442,389</b>	<b>2,234,166</b>	<b>30,176</b>	<b>3,706,731</b>
<b>Operating cash disbursements:</b>				
Personal services	318,803	279,323	-	598,126
Transportation	7,059	7,211	-	14,270
Contractual services	302,568	197,725	-	500,293
Materials and supplies	121,673	25,923	-	147,596
Capital outlay	1,938	1,124,694	-	1,126,632
Other	9,318	-	-	9,318
<b>Total operating cash disbursements</b>	<b>761,359</b>	<b>1,634,876</b>	<b>-</b>	<b>2,396,235</b>
<b>Operating cash receipts over operating cash disbursements</b>	<b>681,030</b>	<b>599,290</b>	<b>30,176</b>	<b>1,310,496</b>
<b>Nonoperating cash receipts (disbursements):</b>				
Rent	39,566	-	-	39,566
Sale of notes	-	900,000	-	900,000
Debt service:				
Principal	(106,916)	(260,480)	(43,502)	(410,898)
Interest and other fiscal charges	(103,913)	(280,612)	(20,545)	(405,070)
<b>Total nonoperating cash receipts (disbursements)</b>	<b>(171,263)</b>	<b>358,908</b>	<b>(64,047)</b>	<b>123,598</b>
<b>Changes in net cash assets</b>	<b>509,767</b>	<b>958,198</b>	<b>(33,871)</b>	<b>1,434,094</b>
<b>Net cash assets at beginning of year</b>	<b>960,353</b>	<b>2,136,160</b>	<b>50,005</b>	<b>3,146,518</b>
<b>Net cash assets at end of year</b>	<b>\$ 1,470,120</b>	<b>\$ 3,094,358</b>	<b>\$ 16,134</b>	<b>\$ 4,580,612</b>

**Village of Canal Winchester  
Statement of Fiduciary Assets and Net Cash Assets  
Fiduciary Funds  
December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
	<u>Agency</u>	<u>Agency</u>
<b>Assets:</b>		
<b>Equity in pooled cash and cash equivalent</b>	<u>\$          385</u>	<u>\$          385</u>
<b>Total assets</b>	<u><u>\$          385</u></u>	<u><u>\$          385</u></u>
<b>Net cash assets:</b>		
<b>Unrestricted</b>	<u>\$          385</u>	<u>\$          385</u>
<b>Total net cash assets</b>	<u><u>\$          385</u></u>	<u><u>\$          385</u></u>



VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.D, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the Village’s accounting policies:

A. Reporting Entity

For financial reporting purposes, the Village’s BFS include all funds, agencies, boards, commissions, and departments for which the Village is financially accountable. Financial accountability, as defined by the GASB, exists if the Village appoints a voting majority of an organization’s governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Village. The Village may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the Village. The Village also took into consideration other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the Village’s basic financial statements to be misleading or incomplete. The Village has no component units. The following organization is described due to its relationship to the Village:

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

The CWICC is a legally separate, non-profit corporation created on August 22, 1994 pursuant of the provisions of Ohio Rev. Code Section 1724.10. The CWICC is governed by a five-member Board of Trustees. Two of the members are from elected Village officials and the remaining three members are elected by the CWICC. Vacancies are appointed by the remaining Trustees by an affirmative majority vote. The CWICC’s sole purpose is to carry out the Plan of Industrial, Commercial, Distribution and Research Development for the Village. The Village is not required under this agreement to provide any financial contribution to the CWICC. The Village did not expend any money in 2006 to the CWICC. The CWICC can incur debt, mortgage its property acquired, otherwise issue its obligations for the purpose of acquiring, constructing, improving and equipping buildings, structures and other properties and acquiring sites. The financial activities of the CWICC are not included in the financial statements of the Village.

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

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

**B. Basis of Presentation**

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

Government-wide Statement of Activities – Cash Basis - This statement displays information about the Village as a whole, except for fiduciary funds. The statement distinguishes between those activities of the Village that are governmental and those that are considered business-type activities.

The government-wide statement of activities - cash basis compares disbursements with program receipts for each segment of the business-type activities of the Village and for each function or program of the Village's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Village. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the Village.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the Village's proprietary funds are charges for sales and services, and include personnel and other disbursements related to the operations of the enterprise activity. All other receipts and disbursements not meeting these definitions are reported as nonoperating transactions.

**C. Fund Accounting**

The Village uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The Village classifies each fund as either governmental, proprietary or fiduciary.

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

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

*Governmental Funds* - The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

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

*Issue II Fund* - This fund accounts for all transactions relating to Issue II construction (2006).

*Debt Service Fund* - This fund accounts for the issuance and retirement of debt. (2005)

*Street Maintenance and Repair Fund* - This fund accounts for all transactions relating to maintaining and repairing streets. (2005)

Other governmental funds of the Village are used to account for grants and other receipts whose use is restricted to a particular purpose and for receipts and disbursements used for the acquisition, construction and improvement of capital facilities.

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

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

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

The Village's nonmajor enterprise fund accounts for Storm Water Operations.

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

**D. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

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

E. Budgetary Process

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

*Tax Budget:*

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

*Estimated Resources:*

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

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted appropriation amendments during 2006. 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.

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**F. Cash and Cash Equivalents**

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The Village invested in State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, repurchase agreements, and U.S. government money market funds. Investments are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006 and 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2006 and 2005 was \$281,011 and \$132,650, respectively.

**G. Capital Assets**

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

**H. Unpaid Vacation and Sick Leave**

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

**I. Long-term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**VILLAGE OF CANAL WINCHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 and 2005**

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

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

**K. Interfund Activity**

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

**L. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**M. Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**N. Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**O. Fund Balance Reserves**

The Village reserves any portion of fund balance which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal years 2006 and 2005.

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 3 - ACCOUNTABILITY & COMPLIANCE

The Village has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Village.

The Village has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation". GASB Statement No. 46 defines enabling legislation and specifies how net cash assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net cash assets restricted by enabling legislation.

The implementation of GASB Statement No. 46 did not have an effect on the fund cash balances/net cash assets of the Village as previously reported at December 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Village has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys 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 to 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;

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Village by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the Village had \$150 in undeposited cash on hand which is included on the financial statements of the Village as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits with Financial Institutions

At December 31, 2006, the carrying amount of all Village deposits was \$1,075,527 exclusive of the \$1,446,752 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, \$1,078,830 of the Village's bank balance of \$1,378,830 was exposed to custodial risk as discussed below, while \$300,000 was covered by Federal Deposit Insurance Corporation.

At December 31, 2005, the carrying amount of all Village deposits was \$512, 684. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$503,742 of the Village's bank balance of \$703,742 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.



VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Village's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

C. Investments

As of December 31, 2006, the Village had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Carrying 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>
U.S. Government Money Market	\$ 18,506	\$ 18,506	\$ -	\$ -	\$ -	\$ -
STAR Ohio	148,978	148,978	-	-	-	-
Repurchase Agreement	1,446,752	1,446,752	-	-	-	-
FHLMC	1,101,321	-	301,206	551,716	-	-
FHLB	2,924,355	400,183	502,202	421,495	-	1,600,475
FNMA	1,304,960	801,879	201,339	301,742	-	248,399
	<u>\$ 6,944,872</u>	<u>\$ 2,816,298</u>	<u>\$ 1,004,747</u>	<u>\$ 1,274,953</u>	<u>\$ -</u>	<u>\$ 1,848,874</u>

The weighted average maturity of investments is 1.37 years.

As of December 31, 2005, the Village had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Carrying 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>
U.S. Government Money Market	\$ 257,232	\$ 257,232	\$ -	\$ -	\$ -	\$ -
STAR Ohio	639,758	639,758	-	-	-	-
FHLMC	700,868	399,662	-	-	301,206	-
FHLB	1,747,701	1,047,776	-	400,186	-	299,739
FNMA	1,200,342	-	198,824	800,179	201,339	-
FNMC	550,948	250,948	300,000	-	-	-
	<u>\$ 5,096,849</u>	<u>\$ 2,595,376</u>	<u>\$ 498,824</u>	<u>\$ 1,200,365</u>	<u>\$ 502,545</u>	<u>\$ 299,739</u>

The weighted average maturity of investments is .78 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 Village's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The Village's investments, except STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Village's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the Village.

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

*Concentration of Credit Risk:* The Village places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Village at December 31, 2006 and 2005:

<u>Investment type</u>	2006		2005	
	<u>Fair Value</u>	<u>% of Total</u>	<u>Fair Value</u>	<u>% of Total</u>
U.S. Government Money Market	\$ 18,506	0.26	\$ 257,232	5.05
STAR Ohio	148,978	2.15	639,758	12.55
Repurchase Agreement	1,446,752	20.83	700,868	13.75
FHLMC	1,101,321	15.86	1,747,701	34.29
FHLB	2,924,355	42.11	1,200,342	23.55
FNMA	1,304,960	18.79	550,948	10.81
	<u>\$ 6,944,872</u>	<u>100.00</u>	<u>\$ 5,096,849</u>	<u>100.00</u>

D. Reconciliation of Cash and Investment to the Statement of Net Assets – Cash Basis

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2006:

	2006	2005
<u>Cash and Investments per footnote</u>		
Carrying amount of deposits	\$ 1,075,527	\$ 512,684
Investments	6,944,872	5,096,849
Cash on hand	150	150
Total	<u>\$ 8,020,549</u>	<u>\$ 5,609,683</u>

Cash and Investments per Statement of Net Assets - Cash Basis

	2006	2005
Governmental activities	\$ 3,362,543	\$ 1,028,686
Business type activities	4,657,621	4,580,612
Agency fund	385	385
Total	<u>\$ 8,020,549</u>	<u>\$ 5,609,683</u>

NOTE 5 - DEBT OBLIGATIONS

At December 31, 2006, debt obligations consisted of the following issuances:

<u>Description</u>	Balance at <u>12/31/2006</u>	Balance at <u>12/31/2005</u>
<u>Debt Service Fund:</u>		
2004 Wastewater General Obligation bonds for rebuilding, surfacing and paving Walnut Street and Gender Road and various water and sewer improvements, bearing interest of various rates due in full in December 2014.	2,340,000	2,450,000
1999 Various Purpose Bonds, due in annual installments of varying amounts, bearing interest at varying amounts through 2014.	2,995,000	3,155,000
<u>Capital Project Fund:</u>		
2006 Diley Road bond anticipation note due 2007, bearing interest at 4.55%.	2,500,000	-

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 5 - DEBT OBLIGATIONS – (Continued)

<u>Description</u>	<u>Balance at</u> <u>12/31/2006</u>	<u>Balance at</u> <u>12/31/2005</u>
<u>General Fund:</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.	210,000	230,000
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.	460,000	515,000
2001 Ohio Public Works Commission (OPWC) loan for Washington Street Rehabilitation, due in semi-annual installments bearing 0% interest, through 2020.	547,634	586,751
2002 Ohio Public Works loan for North High Street Rehabilitation due in semi-annual installments bearing 0% interest through 2023.	319,556	338,353
2002 Ohio Public Works loan bearing 0% interest through 2022.	914,051	964,832
2003 Ohio Public Works loan for West Waterloo Street improvement, due in semi-annual installments bearing 0% interest through 2024.	526,440	556,522
<u>Description</u>		
<u>Enterprise Fund:</u>		
2006 EPA loan for water improvements. Total loan proceeds have not been received as of December 31, 2006, and therefore no amortization is shown	989,991	-
2005 Sewer System improvement note due 2006, bearing interest at 3.30%	-	900,000
2004 Sewer System Adjustable Rate First Mortgage Revenue Bonds for acquiring, constructing and operating improvements to the sanitary sewer collection and treatment system, due in annual installments of varying amounts, bearing interest at a variable rate	5,235,000	5,445,000
1999 Ohio Public Works loan for Sanitary Sewer Rehab, due in semi-annual installments bearing interest at 3% through 2024.	193,630	201,937
1996 OPWC loan for Columbus Washington water line, due in semi-annual installments bearing interest at 3% through 2016.	52,013	56,680
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.	301,048	334,856
1992 OPWC loan for Hocking Street Waterline, due in semi-annual installments bearing no interest through 2012.	24,528	28,988
1989 OWDA loan for Waterline construction, due in semi-annual installments bearing interest at 8.26% through 2014.	1,032,274	1,138,289
1989 OWDA loan for Sewer line construction, due in semi-annual installments bearing interest at 7.36% through 2008.	102,149	161,321
Total debt obligations	<u>\$ 18,743,314</u>	<u>\$ 17,063,529</u>

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Transactions for the years ended December 31, 2006 and 2005, are summarized as follows:

		Balance			Balance	Amounts
	Fund Type	12/31/05	Proceeds	Payments	12/31/06	Due in One Year
2006 Bond Anticipation Notes	Capital Projects	\$ -	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 2,500,000
2004 Wastewater G.O. Bonds	Debt	2,450,000	-	(110,000)	2,340,000	110,000
1999 Various Purpose Bonds	Debt	3,155,000	-	(160,000)	2,995,000	170,000
GO Bonds 1994	Debt	230,000	-	(20,000)	210,000	20,000
GO Bonds 1993	Debt	515,000	-	(55,000)	460,000	60,000
OPWC #CC05B	Debt	586,751	-	(39,117)	547,634	39,117
OPWC #CC02D	Debt	338,353	-	(18,797)	319,556	18,797
OPWC #CC03E	Debt	556,522	-	(30,082)	526,440	30,082
OPWC #CC04F	Debt	964,832	-	(50,781)	914,051	50,781
<b>Total Debt Service Fund</b>		<b>8,796,458</b>	<b>2,500,000</b>	<b>(483,777)</b>	<b>10,812,681</b>	<b>2,998,777</b>
2006 Water Bond Anticipation Note	Enterprise	-	3,700,000	(3,700,000)	-	-
2006 EPA Loan	Enterprise	-	989,991	-	989,991	-
2005 Sewer Improvement Note	Enterprise	900,000	-	(900,000)	-	-
2004 Mortgage Revenue Bonds	Enterprise	5,445,000	-	(210,000)	5,235,000	215,000
OPWC CT212	Enterprise	28,988	-	(4,460)	24,528	4,460
OPWC CC808	Enterprise	56,680	-	(4,667)	52,013	4,808
OPWC #CC01C	Enterprise	201,937	-	(8,307)	193,630	8,558
OWDA - #3081	Enterprise	334,856	-	(33,808)	301,048	35,843
OWDA - # 1502	Enterprise	1,138,289	-	(106,015)	1,032,274	114,772
OWDA - #1501	Enterprise	161,321	-	(59,172)	102,149	63,527
<b>Total Enterprise Funds</b>		<b>8,267,071</b>	<b>4,689,991</b>	<b>(5,026,429)</b>	<b>7,930,633</b>	<b>446,968</b>
<b>Total All Funds</b>		<b>\$ 17,063,529</b>	<b>\$ 7,189,991</b>	<b>\$ (5,510,206)</b>	<b>\$ 18,743,314</b>	<b>\$ 3,445,745</b>

		Balance			Balance	Amounts
	Fund Type	12/31/04	Proceeds	Payments	12/31/2005	Due in One Year
2003 Promissory Note	General	\$ 26,500	\$ -	\$ (26,500)	\$ -	\$ -
2004 Wastewater G.O. Bonds	Debt	2,550,000	-	(100,000)	2,450,000	110,000
1999 Various Purpose Bonds	Debt	3,310,000	-	(155,000)	3,155,000	160,000
GO Bonds 1994	Debt	245,000	-	(15,000)	230,000	20,000
GO Bonds 1993	Debt	570,000	-	(55,000)	515,000	55,000
OPWC #CC05B	Debt	625,868	-	(39,117)	586,751	39,117
OPWC #CC02D	Debt	357,150	-	(18,797)	338,353	18,797
OPWC #CC03E	Debt	586,604	-	(30,082)	556,522	30,082
OPWC #CC04F	Debt	1,015,613	-	(50,781)	964,832	50,781
<b>Total Debt Service Fund</b>		<b>9,260,235</b>	<b>-</b>	<b>(463,777)</b>	<b>8,796,458</b>	<b>483,777</b>
2005 Sewer Improvement Note	Enterprise	-	900,000	-	900,000	900,000
2004 Mortgage Revenue Bonds	Enterprise	5,650,000	-	(205,000)	5,445,000	210,000
OPWC CT212	Enterprise	33,448	-	(4,460)	28,988	4,460
OPWC CC808	Enterprise	61,210	-	(4,530)	56,680	4,667
OPWC #CC01C	Enterprise	210,000	-	(8,063)	201,937	8,307
OWDA - #3081	Enterprise	366,744	-	(31,888)	334,856	33,808
OWDA - # 1502	Enterprise	1,236,215	-	(97,926)	1,138,289	106,015
OWDA - #1501	Enterprise	220,352	-	(59,031)	161,321	59,172
<b>Total Enterprise Funds</b>		<b>7,777,969</b>	<b>900,000</b>	<b>(410,898)</b>	<b>8,267,071</b>	<b>1,326,429</b>
<b>Total All Funds</b>		<b>\$ 17,064,704</b>	<b>\$ 900,000</b>	<b>\$ (901,175)</b>	<b>\$ 17,063,529</b>	<b>\$ 1,810,206</b>

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 5 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2006, are as follows:

Year Ending December 31,	2004 General Obligation Bonds		1999 Various Purpose Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 110,000	\$ 85,210	\$ 170,000	\$ 159,280
2008	115,000	82,460	175,000	151,800
2009	115,000	79,585	185,000	143,313
2010	120,000	76,480	190,000	134,340
2011	125,000	73,000	200,000	125,125
2012-2016	675,000	300,044	1,190,000	446,600
2017-2021	540,000	438,275	885,000	99,000
2022-2024	540,000	49,500	-	-
Totals	<u>\$ 2,340,000</u>	<u>\$ 1,184,554</u>	<u>\$ 2,995,000</u>	<u>\$ 1,259,458</u>

Year Ending December 31,	1994 Water & Sewer Improvement		1993 G.O. Bonds		1992 OPWC Hocking Water	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 20,000	\$ 14,845	\$ 60,000	\$ 27,480	\$ 4,460	\$ -
2008	20,000	13,445	60,000	24,000	4,460	-
2009	25,000	12,045	60,000	20,400	4,460	-
2010	25,000	10,295	65,000	16,800	4,460	-
2011	25,000	8,520	70,000	12,900	4,460	-
2012-2014	95,000	13,845	145,000	13,200	2,228	-
Totals	<u>\$ 210,000</u>	<u>\$ 72,995</u>	<u>\$ 460,000</u>	<u>\$ 114,780</u>	<u>\$ 24,528</u>	<u>\$ -</u>

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Year Ending December 31,	1996 OPWC		2001 OPWC		1999 OPWC		2003 OPWC	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 4,808	\$ 1,524	\$ 39,117	\$ -	\$ 8,558	\$ 5,745	\$ 30,082	\$ -
2008	4,954	1,378	39,117	-	8,816	5,487	30,082	-
2009	5,104	1,230	39,117	-	9,083	5,220	30,082	-
2010	5,257	1,075	39,117	-	9,357	4,946	30,082	-
2011	5,416	916	39,117	-	9,640	4,663	30,082	-
2012 - 2016	26,474	2,025	195,585	-	52,753	18,762	150,410	-
2017 - 2021	-	-	156,464	-	61,220	10,295	150,410	-
2022 - 2024	-	-	-	-	34,203	1,553	75,210	-
Totals	<u>\$ 52,013</u>	<u>\$ 8,148</u>	<u>\$ 547,634</u>	<u>\$ -</u>	<u>\$ 193,630</u>	<u>\$ 56,671</u>	<u>\$ 526,440</u>	<u>\$ -</u>

Year Ending December 31,	2002 OPWC		2002 Ohio Public Works		2004 Sewer System Adjustable Rate First Mortgag		1994 OWDA Elevated Water Storage	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 50,781	\$ -	\$ 18,797	\$ -	\$ 215,000	\$ 201,940	\$ 35,843	\$ 19,141
2008	50,781	-	18,797	-	220,000	196,565	38,001	17,044
2009	50,781	-	18,797	-	230,000	191,065	40,289	14,821
2010	50,781	-	18,797	-	235,000	184,740	42,714	11,252
2011	50,781	-	18,797	-	240,000	177,690	45,285	8,680
2012 - 2016	253,905	-	93,985	-	1,330,000	758,634	98,916	9,019
2017 - 2021	253,905	-	93,985	-	1,615,000	477,960	-	-
2022-2024	152,336	-	37,601	-	1,150,000	105,076	-	-
Totals	<u>\$ 914,051</u>	<u>\$ -</u>	<u>\$ 319,556</u>	<u>\$ -</u>	<u>\$ 5,235,000</u>	<u>\$ 2,293,670</u>	<u>\$ 301,048</u>	<u>\$ 79,957</u>

Year Ending December 31,	1989 OWDA Waterline		1989 OWDA Waterline		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 114,772	\$ 85,266	\$ 63,527	\$ 9,696	\$ 945,745	\$ 610,127
2008	124,252	75,786	38,622	5,015	947,882	572,980
2009	134,515	65,522	-	-	947,228	533,201
2010	145,626	54,411	-	-	981,191	494,339
2011	157,655	42,383	-	-	1,021,233	453,877
2012-2016	355,454	44,623	-	-	4,664,710	1,606,752
2017-2021	-	-	-	-	3,755,984	1,025,530
2022-2024	-	-	-	-	1,989,350	156,129
Totals	<u>\$ 1,032,274</u>	<u>\$ 367,991</u>	<u>\$ 102,149</u>	<u>\$ 14,711</u>	<u>\$15,253,323</u>	<u>\$5,452,935</u>

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 5 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2005, are as follows:

Year Ending December 31,	2004 General Obligation Bonds		1999 Various Purpose Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 110,000	\$ 87,960	\$ 160,000	\$ 166,160
2007	110,000	85,210	170,000	159,280
2008	115,000	82,460	175,000	151,800
2009	115,000	79,585	185,000	143,313
2010	120,000	76,480	190,000	134,340
2011-2015	655,000	322,759	1,125,000	508,475
2016-2020	520,000	456,835	1,150,000	162,250
2021-2024	705,000	81,225	-	-
Totals	<u>\$ 2,450,000</u>	<u>\$ 1,272,514</u>	<u>\$ 3,155,000</u>	<u>\$ 1,425,618</u>

Year Ending December 31,	1994 Water & Sewer Improvement		1993 G.O. Bonds		1992 OPWC Hocking Water	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 20,000	\$ 16,245	\$ 55,000	\$ 30,615	\$ 4,460	\$ -
2007	20,000	14,845	60,000	27,480	4,460	-
2008	20,000	13,445	60,000	24,000	4,460	-
2009	25,000	12,045	60,000	20,400	4,460	-
2010	25,000	10,295	65,000	16,800	4,460	-
2011-2014	120,000	22,365	215,000	26,100	6,688	-
Totals	<u>\$ 230,000</u>	<u>\$ 89,240</u>	<u>\$ 515,000</u>	<u>\$ 145,395</u>	<u>\$ 28,988</u>	<u>\$ -</u>

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Year Ending December 31,	1996 OPWC		2001 OPWC		1999 OPWC		2003 OPWC	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 4,667	\$ 1,665	\$ 39,117	\$ -	\$ 8,307	\$ 5,996	\$ 30,082	\$ -
2007	4,808	1,524	39,117	-	8,558	5,745	30,082	-
2008	4,954	1,378	39,117	-	8,816	5,487	30,082	-
2009	5,104	1,230	39,117	-	9,083	5,220	30,082	-
2010	5,257	1,075	39,117	-	9,357	4,946	30,082	-
2011 - 2015	28,770	2,894	195,585	-	51,205	20,310	150,410	-
2016 - 2020	3,120	47	195,581	-	59,424	12,091	150,410	-
2020 - 2024	-	-	-	-	47,187	2,872	105,292	-
Totals	\$ 56,680	\$ 9,813	\$ 586,751	\$ -	\$ 201,937	\$ 62,667	\$ 556,522	\$ -

Year Ending December 31,	2002 OPWC		2002 Ohio Public Works		2004 Sewer System Adjustable Rate First Mortgage		1994 OWDA Elevated Water Storage	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 50,781	\$ -	\$ 18,797	\$ -	\$ 210,000	\$ 207,190	\$ 33,808	\$ 21,118
2007	50,781	-	18,797	-	215,000	201,940	35,843	19,141
2008	50,781	-	18,797	-	220,000	196,565	38,001	17,044
2009	50,781	-	18,797	-	230,000	191,065	40,289	14,821
2010	50,781	-	18,797	-	235,000	184,740	42,714	11,252
2011 - 2015	253,905	-	93,985	-	1,285,000	803,972	144,201	17,699
2016 - 2020	253,905	-	93,985	-	1,550,000	542,812	-	-
2021 - 2023	203,117	-	56,398	-	1,500,000	172,576	-	-
Totals	\$ 964,832	\$ -	\$ 338,353	\$ -	\$ 5,445,000	\$ 2,500,860	\$ 334,856	\$ 101,075

Year Ending December 31,	1989 OWDA Waterline		1989 OWDA Waterline		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 106,015	\$ 94,023	\$ 59,172	\$ 14,051	\$ 910,206	\$ 645,023
2007	114,772	85,266	63,527	9,696	945,745	610,127
2008	124,252	75,786	38,622	5,015	947,882	572,980
2009	134,515	65,522	-	-	947,228	533,201
2010	145,626	54,411	-	-	981,191	494,339
2011-2015	513,109	87,006	-	-	4,837,858	1,811,580
2016-2020	-	-	-	-	3,976,425	1,174,035
2021-2024	-	-	-	-	2,616,994	256,673
Totals	\$ 1,138,289	\$ 462,014	\$ 161,321	\$ 28,762	\$16,163,529	\$6,097,958



VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 6 - PROPERTY TAX

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

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

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

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

The assessed values of real and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Real property tax	\$ 187,912,500	\$ 157,381,430	\$ 146,705,280
Public utility tangible personal property	3,241,910	3,412,990	3,203,520
Tangible personal property	<u>15,770,029</u>	<u>21,524,089</u>	<u>17,243,834</u>
Total assessed valuation	<u>\$ 206,924,439</u>	<u>\$ 182,318,509</u>	<u>\$ 167,152,634</u>

NOTE 7 - LOCAL INCOME TAX

This locally levied tax of 2.0% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. The Village gives a 100% credit to the tax paid to another municipality to the maximum of the total amount assessed. It also applies to the net income of business organizations located within the Village. The City of Columbus administers and collects income taxes for the Village. Payments, net of collection fees, are remitted monthly for tax receipts received by the City of Columbus in the prior month. The Village collected \$4,066,770 and \$3,514,761 in 2006 and 2005, respectively in income tax receipts which are received directly into the General Fund.

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 8 - PENSION PLAN

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member- directed plan do not qualify for ancillary benefits. Authority to established and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The Village's contribution rate for pension benefits for 2006 was 9.20%, except for those plan members in law enforcement and public safety. For those classifications, the Village's pension contributions were 12.43% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's contributions for to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$188,587, \$178,038, and \$163,872, respectively; these contributions were sufficient to fulfill the requirements.

NOTE 9 - POSTRETIREMENT BENEFIT PLAN

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 9 - POSTRETIREMENT BENEFIT PLANS – (Continued)

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus and an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4:00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The Village's actual employer contributions for 2006 and 2005 which were used to fund postemployment benefits were \$55,062 and \$348,375. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. At December 31, 2005 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

NOTE 10 - RISK MANAGEMENT

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

NOTE 11 - CONTINGENT LIABILITY

LITIGATION

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

VILLAGE OF CANAL WINCHESTER

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and 2005

NOTE 12 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2006 and 2005, consisted of the following, as reported in the fund financial statements:

2006	<u>Transfer From</u>		<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	
<u>Transfer to</u>			
Debt Service	\$ 733,857	\$ -	\$ 733,857
Sewer Fund	13,884	-	13,884
Nonmajor Governmental Funds	<u>374,766</u>	<u>25,759</u>	<u>400,525</u>
Total	<u>\$ 1,122,507</u>	<u>\$ 25,759</u>	<u>\$ 1,148,266</u>

2005	<u>Transfer From</u>
<u>Transfer to</u>	<u>General</u>
Debt Service	\$ 843,908
Street Maintenance Fund	317,282
Nonmajor Governmental Fund	<u>139,011</u>
Total	<u>\$ 1,300,201</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.15.

Interfund transfers between governmental funds are eliminated on the government-wide statement of activities – cash basis. Only the net transfers between governmental activities and business-type activities appear on this statement.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

Net Assets, at the beginning of 2005 has been adjusted to correct an error in Combined Cash and Cash Equivalents made in 2004. Had the posting error not been made, Net Assets for 2004 would have been correctly reduced by \$18,954.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of Village Council  
Village of Canal Winchester, Franklin County  
Canal Winchester, Ohio

We have audited the financial statements of Village of Canal Winchester as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 6, 2007 wherein we noted the Village prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

*much more than an accounting firm*

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2006-4141-001.

This report is intended solely for the information and use of the board of directors, management and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Jones, Cochenour & Co." with a stylized flourish at the end.

Jones, Cochenour & Co.  
October 6, 2007

VILLAGE OF CANAL WINCHESTER

SCHEDULE OF FINDINGS  
December 31, 2006 and 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED  
TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2006-4141-001

NONCOMPLIANCE CITATIONS

Ohio Revised Code § 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Ohio Revised Code § 5705.36 (A)(4) requires the fiscal officer to obtain a reduced amended certificate from the budget commission if a deficiency is determined and if the amount of the deficiency will reduce available resources below the current level of appropriation.

Budgeted revenue exceeded actual and appropriations were greater than actual revenue plus encumbered cash as of December 31, 2005, as follows:

	Actual Receipts plus 1/1	Actual Receipts	Estimated Receipts	Variance	Appropriations	Variance
Fund 12/31/2005						
General	\$ 6,103,543	\$ 5,783,259	\$ 5,853,829	\$ (70,570)	\$ 6,131,032	\$ (27,489)
Special Revenue						
Bed Tax	\$ 145,844	\$ 141,136	\$ 153,105	\$ (11,969)	\$ 153,105	\$ (7,261)
Issue II	\$ 160,510	\$ 159,600	\$ 300,000	\$ (140,400)	\$ 300,000	\$ (139,490)

Budgeted revenue exceeded actual and appropriations were greater than actual revenue plus encumbered cash as of December 31, 2006, as follows:

	Actual Receipts	Actual Receipts	Estimated Receipts	Variance	Appropriations	Variance
12/31/2006						
Proprietary						
Water Connections	\$ 5,866,689	\$ 5,267,754	\$ 8,387,072	\$ (3,119,318)	\$ 8,735,000	\$ (2,868,311)
Special Revenue						
Bed Tax	\$ 178,980	\$ 152,185	\$ 185,548	\$ (33,363)	\$ 185,548	\$ (6,568)
Issue II	\$ 4,204,403	\$ 4,200,518	\$ 5,400,000	\$ (1,199,482)	\$ 5,400,000	\$ (1,195,597)
Mayor's Court	\$ 166,174	\$ 165,789	\$ 185,000	\$ (19,211)	\$ 185,000	\$ (18,826)
GO Debt	\$ 768,135	\$ 733,857	\$ 784,409	\$ (50,552)	\$ 784,409	\$ (16,274)

We recommend the Village analyze the budgetary activity to determine if reduced amended certificates are necessary to ensure that the appropriations do not exceed the actual receipts plus the beginning unencumbered cash.

The Village-Clerk Treasurer will monitor this more closely and make modifications when deemed necessary.

VILLAGE OF CANAL WINCHESTER

STATUS OF PRIOR FINDINGS

December 31, 2006 and 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-VOCW-001 2004-VOCW-001	A material noncompliance citation was issued in the prior audit under Ohio Rev. Code Section 5705.41(D) for not properly encumbering funds prior to expenditure.	Yes	N/A
2002VOCW-002	A material noncompliance citation was issued in the prior audit under Ohio Rev. Code Section 5705.36(A)(4) for not requesting amended certificates.	Yes	N/A





**Mary Taylor, CPA**  
Auditor of State

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  
DECEMBER 6, 2007