

Canal Winchester Local School District

GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

Board of Education
Canal Winchester Local School District
Canal Winchester, Ohio

We have reviewed the Independent Auditor's Report of the Canal Winchester Local School District, Franklin County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2000 to June 30, 2001. 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 Canal Winchester Local School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

January 15, 2002

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CANAL WINCHESTER LOCAL SCHOOL DISTRICT

FOR THE YEAR ENDED JUNE 30, 2001

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**Canal Winchester Local Board of Education
List of Principal Officials**

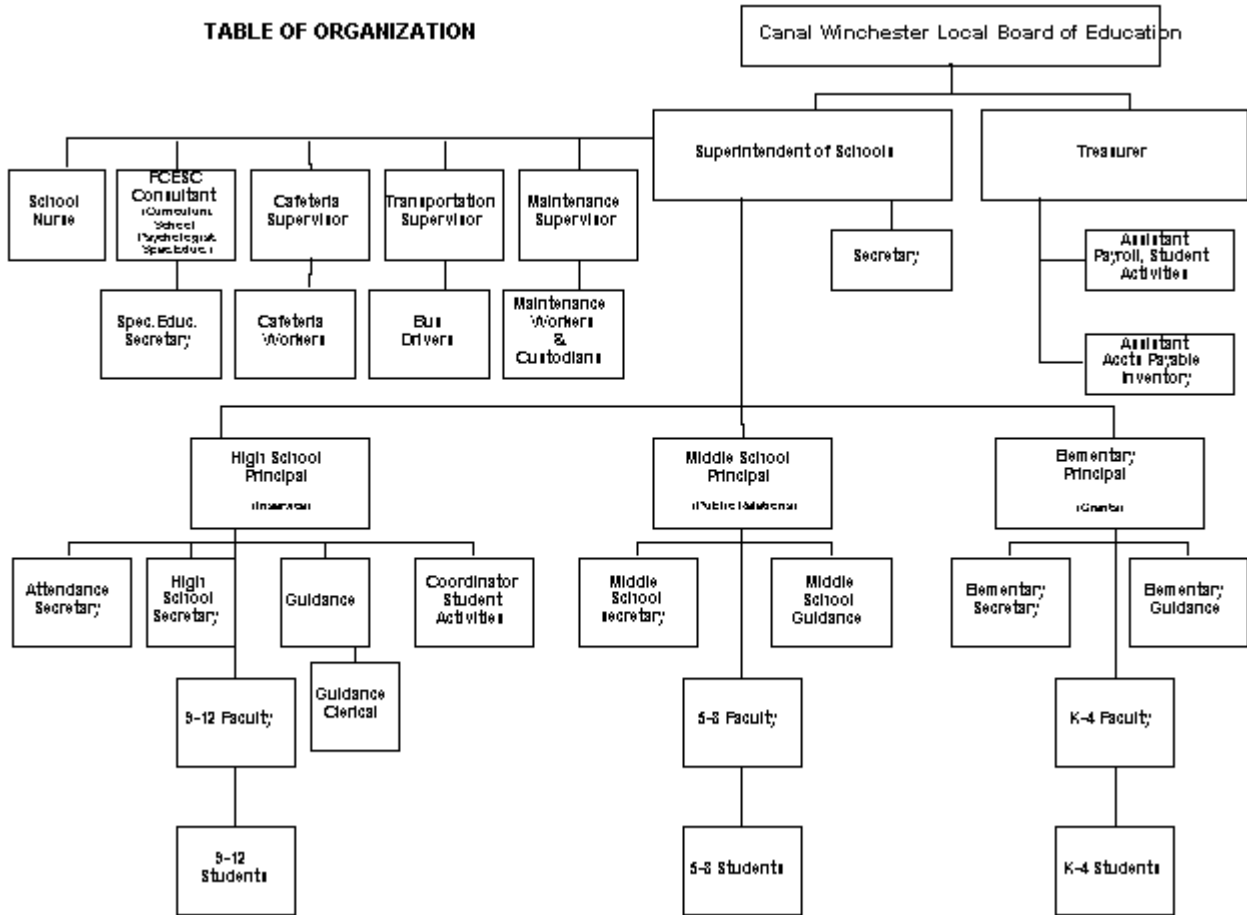
June 30, 2001

BOARD OF EDUCATION	
Stanley E. Smith	President
Joseph M. Wildenthaler	Vice President
Thomas E. Kinsel.	Member
Deborah L. Long.	Member
Chuck Miller.	Member

TREASURER
Joyce A. Boyer

ADMINISTRATION	
Susan Bochnovich	Superintendent
Barbara J. Harrison	Assistant Superintendent
Steven J. Donahue.	High School Principal
Janine Taylor	Middle School Principal
Michael J. Bruning	Intermediate School Principal
Ray F. Mowery	Elementary School Principal
Kent Riggs	Coordinator of Student Activities
David Deweese	Technology Coordinator

TABLE OF ORGANIZATION



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GENERAL PURPOSE FINANCIAL STATEMENTS

Independent Auditors' Report

Board of Education
Canal Winchester Local School District
Canal Winchester, Ohio

We have audited the accompanying general-purpose financial statements of the Canal Winchester Local School District as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Canal Winchester Local School District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2001 on our consideration of the Canal Winchester Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Ciuni & Panichi, Inc.

Cleveland, Ohio
December 7, 2001

**Canal Winchester Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals	
	Special	Debt	Capital		Internal	Trust and	General	General	2001	
	Revenue	Service	Project	Enterprise	Service	Agency	Fixed Assets	Long Term Debt	(Memorandum Only)	
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$ 1,770,751	304,212	486,834	16,132,889	33,081	173,759	194,687	0	0	\$ 19,096,213
Cash with Fiscal Agent	0	0	0	0	0	43,080	0	0	0	43,080
Cash in Segregated Account	0	0	2,369	0	0	0	0	0	0	2,369
Taxes Receivables	7,140,784	62,568	2,135,768	0	0	0	0	0	0	9,339,120
Due from Other Funds	0	0	0	0	0	0	208,363	0	0	208,363
Intergovernmental Receivables	72	0	0	0	12,604	0	0	0	0	12,676
Accounts Receivable	31,979	350	0	100,497	6,338	0	265	0	0	139,429
Inventory	0	0	0	0	2,649	0	0	0	0	2,649
Inventory for Resale	0	0	0	0	6,985	0	0	0	0	6,985
Property, Plant, and Equipment	0	0	0	0	332,130	0	0	30,705,697	0	31,037,827
Accumulated Depreciation, Where Applicable	0	0	0	0	(137,842)	0	0	0	0	(137,842)
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	486,834	486,834
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	34,509,736	34,509,736
Total Assets and Other Debits	\$ 8,943,586	367,130	2,624,971	16,233,386	255,945	216,839	403,315	30,705,697	34,996,570	\$ 94,747,439

(Continued)

Canal Winchester Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2001

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups		Totals		
	Special	Debt	Capital	Fund Type	Fund Type	General	General	2001		
	General	Revenue	Service	Project	Enterprise	Internal	Trust and	(Memorandum		
					Service	Agency	Fixed Assets	Long Term Debt	Only)	
Liabilities:										
Intergovernmental Payables	\$ 37,384	132	0	0	182	0	266,212	0	104,062	\$ 407,972
Due to Other Funds	202,690	3,047	0	0	2,626	0	0	0	0	208,363
Matured Bonds Payable	0	0	2,369	0	0	0	0	0	0	2,369
Accounts Payable	134,926	5,978	0	466,222	46,845	11,995	312	0	0	666,278
Accrued Salaries and Benefits	1,138,556	15,982	0	0	8,322	0	0	0	0	1,162,860
Deferred Revenue	6,395,432	62,568	2,135,768	0	2,776	0	0	0	0	8,596,544
Due to Others	0	0	0	0	0	0	98,012	0	0	98,012
Claims Payable	0	0	0	0	0	65,869	0	0	0	65,869
Notes Payable	0	0	0	0	0	0	0	0	15,100,000	15,100,000
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	18,139,860	18,139,860
Capital Leases Payable	0	0	0	0	0	0	0	0	160,233	160,233
Energy Bonds Payable	0	0	0	0	0	0	0	0	733,781	733,781
Bus Notes Payable	0	0	0	0	0	0	0	0	222,000	222,000
Compensated Absences Payable	23,332	0	0	0	3,169	0	0	0	536,634	563,135
Total Liabilities	7,932,320	87,707	2,138,137	466,222	63,920	77,864	364,536	0	34,996,570	46,127,276
Fund Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	30,705,697	0	30,705,697
Contributed Capital	0	0	0	0	301,998	0	0	0	0	301,998
Retained Earnings (Deficit)	0	0	0	0	(109,973)	138,975	429	0	0	29,431
Fund Balances:										
Reserved for Encumbrances	362,576	33,699	0	11,980,212	0	0	0	0	0	12,376,487
Reserved for Endowment	0	0	0	0	0	0	5,000	0	0	5,000
Reserved for Debt Service	0	0	486,834	0	0	0	0	0	0	486,834
Unreserved Fund Balance	648,690	245,724	0	3,786,952	0	0	33,350	0	0	4,714,716
Total Fund Balances	1,011,266	279,423	486,834	15,767,164	0	0	38,350	0	0	17,583,037
Total Fund Balances/Retained Earnings (Deficit) and Other Credits	1,011,266	279,423	486,834	15,767,164	192,025	138,975	38,779	30,705,697	0	48,620,163
Total Liabilities, Fund Equity, and Other Credits	\$ 8,943,586	367,130	2,624,971	16,233,386	255,945	216,839	403,315	30,705,697	34,996,570	\$ 94,747,439

See Accompanying Notes to the General Purpose Financial Statements

Canal Winchester Local School District
Combined Statement of Revenue, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Similar Fiduciary Fund Types
Year Ended June 30, 2001

	Governmental Fund Types			Fiduciary	Totals	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
REVENUES:						
Revenue from Local Sources						
Taxes	\$ 7,046,843	83,368	1,676,087	0	0	\$ 8,806,298
Tuition	12,809	0	0	0	0	12,809
Transportation Fees	51,293	0	0	0	0	51,293
Earnings on Investments	365,988	5,893	136,188	1,053,120	0	1,561,189
Extracurricular Activities	26,813	231,367	0	0	0	258,180
Classroom Materials & Fees	109,342	0	0	0	0	109,342
Miscellaneous	141,419	79,153	0	3,800	500	224,872
Revenue from State Sources						
Unrestricted Grants-in-Aid	5,453,336	9,127	202,792	0	0	5,665,255
Restricted Grants-in-Aid	87,795	349,374	0	64,775	0	501,944
Revenue in Lieu of Taxes	16,270	174	2,875	0	0	19,319
Revenue for/on Behalf of District	30,474	0	0	0	0	30,474
Revenue from Federal Sources						
Restricted Grants-in-Aid	0	207,292	0	0	0	207,292
Total Revenue	13,342,382	965,748	2,017,942	1,121,695	500	17,448,267
EXPENDITURES:						
Instruction						
Regular Instruction	6,499,575	389,508	0	55,648	550	6,945,281
Special Instruction	1,269,688	91,557	0	0	0	1,361,245
Vocational Instruction/Other Instruction	404,614	0	0	0	0	404,614
Adult/Continuing Education	0	0	0	0	0	0
Supporting Services						
Supporting Services-Pupils	612,538	25,524	0	0	0	638,062
Supporting Services-Instructional Staff	594,679	71,776	0	0	0	666,455
Supporting Services-Board of Education	151,912	0	0	0	0	151,912
Supporting Services-Administration	1,397,367	53,828	0	0	0	1,451,195
Fiscal Services	426,086	10,942	25,924	0	0	462,952
Operation & Maintenance-Plant	1,482,201	51,129	0	0	0	1,533,330
Supporting Services-Pupil Trans.	1,368,180	0	0	0	0	1,368,180
Supporting Services-Central/Community	51,479	8,803	0	0	0	60,282
Extracurricular Activities						
Academic & Subject Oriented	31,069	35,682	0	0	0	66,751
Sports Oriented	232,926	120,445	0	0	0	353,371
Co-Curricular Activities	0	82,749	0	0	0	82,749
Capital Outlay						
Facility Acquisition & Construction	0	0	0	1,649,168	0	1,649,168
Debt Service						
Repayment of Debt	0	0	17,751,638	0	0	17,751,638
Total Expenditures	14,522,314	941,943	17,777,562	1,704,816	550	34,947,185
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(1,179,932)	23,805	(15,759,620)	(583,121)	(50)	(17,498,918)
Other Financing Sources and Uses:						
Sale of Assets	646	0	0	0	0	646
Proceeds from Sale of Debt	0	0	15,100,000	0	0	15,100,000
Transfers-In	0	0	242,313	0	0	242,313
Refund of Prior Years Expenditures	90	0	0	0	0	90
Transfers-Out	(273,084)	0	0	0	0	(273,084)
Refund of Prior Years Receipts	0	(3,761)	0	0	0	(3,761)
Net Other Financing Sources and Uses	(272,348)	(3,761)	15,342,313	0	0	15,066,204
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure						
Disbursement and Other Uses	(1,452,280)	20,044	(417,307)	(583,121)	(50)	(2,432,714)
Beginning Fund Balance	2,463,546	259,379	904,141	16,350,285	33,400	20,010,751
Ending Fund Balance	\$ 1,011,266	279,423	486,834	15,767,164	33,350	\$ 17,578,037

See Accompanying Notes to the General Purpose Financial Statements

Canal Winchester Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Types
Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 7,039,770	7,039,770	0	97,939	97,939	\$ 0
Tuition	12,609	12,809	200	0	0	0
Transportation Fees	58,021	58,112	91	0	0	0
Earnings on Investment	411,624	417,296	5,672	5,893	5,893	0
Extracurricular Activities	26,813	26,813	0	232,382	232,382	0
Classroom Materials & Fees	108,306	108,501	195	0	0	0
Miscellaneous	138,914	140,085	1,171	79,153	79,153	0
State Unrestricted Grants-in-Aid	5,453,336	5,453,336	0	9,127	9,127	0
State Restricted Grants-in-Aid	89,245	89,245	0	349,374	349,374	0
State Revenue for/on Behalf of District	30,474	30,474	0	0	0	0
Revenue in Lieu of Taxes	16,270	16,270	0	174	174	0
Federal Restricted Grants-in-Aid	0	0	0	207,922	207,292	(630)
Total Revenue	13,385,382	13,392,711	7,329	981,964	981,334	(630)
Expenditures:						
Regular Instruction	6,633,869	6,459,541	174,328	459,114	403,847	55,267
Special Instruction	1,378,262	1,276,526	101,736	128,216	91,767	36,449
Vocational Instruction	408,829	403,386	5,443	0	0	0
Support Services-Pupils	707,372	623,873	83,499	31,862	25,286	6,576
Support Services-Instructional Staff	603,880	579,423	24,457	87,434	72,082	15,352
Support Services-Board of Education	177,838	167,703	10,135	0	0	0
Support Services-Administration	1,420,214	1,371,694	48,520	54,150	53,989	161
Fiscal Services	450,715	431,954	18,761	11,435	10,942	493
Operation & Maintenance-Plant	1,711,086	1,526,603	184,483	97,522	53,437	44,085
Support Services-Transportation	1,740,043	1,649,987	90,056	0	0	0
Support Services-Central	51,130	50,723	407	12,245	12,245	0
Community Services	0	0	0	7,434	7,434	0
Academic & Subject Oriented	31,367	30,991	376	43,542	37,323	6,219
Occupation Oriented Activities	0	235,046	(235,046)	160,019	123,269	36,750
Sports Oriented	239,451	0	239,451	106,808	85,215	21,593
Facility Acquisition & Construction	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	15,554,056	14,807,450	746,606	1,199,781	976,836	222,945
Excess of Revenue Over (Under) Expenditures	(2,168,674)	(1,414,739)	753,935	(217,817)	4,498	222,315
Other Financing Sources (Uses):						
Sale & Loss of Assets	687	687	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Transfers-In	0	0	0	0	0	0
Advances-In	3,385	3,385	0	0	0	0
Refund of Prior Years Expenditures	138	138	0	0	0	0
Transfers-Out	(267,313)	(267,313)	0	0	0	0
Advances-Out	(1,000)	0	1,000	0	0	0
Refund of Prior Years Receipts	0	0	0	(4,069)	(4,069)	0
Total Other Sources (Uses)	(264,103)	(263,103)	1,000	(4,069)	(4,069)	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,432,777)	(1,677,842)	754,935	(221,886)	429	222,315
Beginning Fund Balance	2,338,669	2,338,669	0	244,978	244,978	0
Prior Year Carry Over Encumbrances	644,785	644,785	0	23,241	23,241	0
Ending Fund Balance	\$ 550,677	1,305,612	754,935	46,333	268,648	\$ 222,315

(Continued)

Canal Winchester Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Types - Continued
Year Ended June 30, 2001

	Debt Service Fund			Capital Projects Funds		
	Revised	Actual	Variance	Revised	Actual	Variance
	Budget		Favorable (Unfavorable)	Budget		Favorable (Unfavorable)
Revenues:						
Taxes	\$ 2,292,680	2,292,680	0	0	0	\$ 0
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Earnings on Investment	136,188	136,188	0	979,013	1,016,446	37,433
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	3,800	3,800	0
State Unrestricted Grants-in-Aid	202,792	202,792	0	0	0	0
State Restricted Grants-in-Aid	0	0	0	64,775	64,775	0
State Revenue for/on Behalf of District	0	0	0	0	0	0
Revenue in Lieu of Taxes	2,875	2,875	0	0	0	0
Federal Restricted Grant-in-Aid	0	0	0	0	0	0
Total Revenue	2,634,535	2,634,535	0	1,047,588	1,085,021	37,433
Expenditures:						
Regular Instruction	0	0	0	55,775	55,775	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	27,072	25,925	1,147	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Facility Acquisition & Construction	0	0	0	16,163,292	13,630,421	2,532,871
Repayment of Debt	17,785,073	17,751,638	33,435	0	0	0
Total Expenditures	17,812,145	17,777,563	34,582	16,219,067	13,686,196	2,532,871
Excess of Revenue Over (Under) Expenditures	(15,177,610)	(15,143,028)	34,582	(15,171,479)	(12,601,175)	2,570,304
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Proceeds from Sale of Notes	15,100,000	15,100,000	0	0	0	0
Transfers-In	242,313	242,313	0	0	0	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Expenditures	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Years Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	15,342,313	15,342,313	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	164,703	199,285	34,582	(15,171,479)	(12,601,175)	2,570,304
Beginning Fund Balance	293,818	293,818	0	16,217,975	16,217,975	0
Prior Year Carry Over Encumbrances	0	0	0	39,636	39,636	0
Ending Fund Balance	\$ 458,521	493,103	34,582	1,086,132	3,656,436	\$ 2,570,304

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Canal Winchester Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Types - Continued
Year Ended June 30, 2001

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	9,430,389	9,430,389	\$ 0
Tuition	0	0	0	12,609	12,809	200
Transportation Fees	0	0	0	58,021	58,112	91
Earnings on Investment	0	0	0	1,532,718	1,575,823	43,105
Extracurricular Activities	0	0	0	259,195	259,195	0
Classroom Materials & Fees	0	0	0	108,306	108,501	195
Miscellaneous	500	500	0	222,367	223,538	1,171
State Unrestricted Grants-in-Aid	0	0	0	5,665,255	5,665,255	0
State Restricted Grants-in-Aid	0	0	0	503,394	503,394	0
State Revenue for/on Behalf of District	0	0	0	30,474	30,474	0
Revenue in Lieu of Taxes	0	0	0	19,319	19,319	0
Federal Restricted Grants-in-Aid	0	0	0	207,922	207,292	(630)
Total Revenue	500	500	0	18,049,969	18,094,101	44,132
Expenditures:						
Regular Instruction	2,064	548	1,516	7,150,822	6,919,711	231,111
Special Instruction	0	0	0	1,506,478	1,368,293	138,185
Vocational Instruction	0	0	0	408,829	403,386	5,443
Support Services-Pupils	0	0	0	739,234	649,159	90,075
Support Services-Instructional Staff	0	0	0	691,314	651,505	39,809
Support Services-Board of Education	0	0	0	177,838	167,703	10,135
Support Services-Administration	0	0	0	1,474,364	1,425,683	48,681
Fiscal Services	0	0	0	489,222	468,821	20,401
Operation & Maintenance-Plant	0	0	0	1,808,608	1,580,040	228,568
Support Services-Transportation	0	0	0	1,740,043	1,649,987	90,056
Support Services-Central	0	0	0	63,375	62,968	407
Community Services	0	0	0	7,434	7,434	0
Academic & Subject Oriented	0	0	0	74,909	68,314	6,595
Occupation Oriented Activities	0	0	0	160,019	358,315	(198,296)
Sports Oriented	0	0	0	346,259	85,215	261,044
Facility Acquisition & Construction	31,835	0	31,835	16,195,127	13,630,421	2,564,706
Repayment of Debt	0	0	0	17,785,073	17,751,638	33,435
Total Expenditures	33,899	548	33,351	50,818,948	47,248,593	3,570,355
Excess of Revenue Over (Under) Expenditures	(33,399)	(48)	33,351	(32,768,979)	(29,154,492)	3,614,487
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	687	687	0
Proceeds from Sale of Notes	0	0	0	15,100,000	15,100,000	0
Transfers-In	0	0	0	242,313	242,313	0
Advances-In	0	0	0	3,385	3,385	0
Refund of Prior Years Expenditures	0	0	0	138	138	0
Transfers-Out	0	0	0	(267,313)	(267,313)	0
Advances-Out	0	0	0	(1,000)	0	1,000
Refund of Prior Years Receipts	0	0	0	(4,069)	(4,069)	0
Total Other Sources (Uses)	0	0	0	15,074,141	15,075,141	1,000
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(33,399)	(48)	33,351	(17,694,838)	(14,079,351)	3,615,487
Beginning Fund Balance	33,400	33,400	0	19,128,840	19,128,840	0
Prior Year Carry Over Encumbrances	0	0	0	707,662	707,662	0
Ending Fund Balance	\$ 1	33,352	33,351	2,141,664	5,757,151	\$ 3,615,487

See Accompanying Notes to the General Purpose Financial Statements

Canal Winchester Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types and Similar Fiduciary Fund Types
Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise Fund	Internal Service Fund	Non-Expendable Trust Funds	
Operating Revenues:				
Food Service	\$ 446,392	0	0	\$ 446,392
Earnings On Investments	18	0	239	257
Charges for Services	<u>0</u>	<u>1,287,451</u>	<u>0</u>	<u>1,287,451</u>
Total Operating Revenue	446,410	1,287,451	239	1,734,100
Operating Expenses:				
Personal Services - Salary	43,376	0	0	43,376
Employee Benefits	316	0	0	316
Purchased Services	265,217	4,819	0	270,036
Supplies and Materials	277,437	0	0	277,437
Insurance Expenses	0	1,005,966	0	1,005,966
Depreciation	<u>14,273</u>	<u>0</u>	<u>0</u>	<u>14,273</u>
Total Operating Expenses	<u>600,619</u>	<u>1,010,785</u>	<u>0</u>	<u>1,611,404</u>
Operating Income (Loss)	(154,209)	276,666	239	122,696
Non-Operating Revenues:				
State Unrestricted Grants-In-Aid	3,548	0	0	3,548
Federal Unrestricted Grants-In-Aid	<u>123,500</u>	<u>0</u>	<u>0</u>	<u>123,500</u>
Total Non-Operating Revenues	<u>127,048</u>	<u>0</u>	<u>0</u>	<u>127,048</u>
Net Income (Loss) before Operating Transfers:	(27,161)	276,666	239	249,744
Operating Transfers-In	<u>30,771</u>	<u>0</u>	<u>0</u>	<u>30,771</u>
Net Income	3,610	276,666	239	280,515
Beginning Retained Earnings (Deficit)	<u>(113,583)</u>	<u>(137,691)</u>	<u>5,190</u>	<u>(246,084)</u>
Retained Earnings (Deficit) at End of Year	(109,973)	138,975	5,429	34,431
Beginning Contributed Capital	138,003	0	0	138,003
Contributions	<u>163,995</u>	<u>0</u>	<u>0</u>	<u>163,995</u>
Contributed Capital at End of Year	<u>301,998</u>	<u>0</u>	<u>0</u>	<u>301,998</u>
Total Fund Equity (Deficit) at End of Year	<u>\$ 192,025</u>	<u>138,975</u>	<u>5,429</u>	<u>\$ 336,429</u>

See Accompanying Notes to the General Purpose Financial Statements

Canal Winchester Local School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Fiduciary Fund Types
Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise Fund	Internal Service Fund	Non-Expendable Trust Funds		
Cash Flows from Operating Activities					
Operating Income (Loss)	\$ (154,209)	276,666	239	\$	122,696
Adjustment to Reconcile Operating Gain (Loss)					
To Net Cash used in Operating Activities:					
Depreciation	14,273	0	0		14,273
Net (Increase) Decrease in Assets:					
Accounts Receivable	(6,251)	104,838	0		98,587
Cash with Fiscal Agent	0	(32,219)	0		(32,219)
Intergovernmental Receivable	(1,568)	0	0		(1,568)
Inventory	(3,868)	0	0		(3,868)
Net Increases (Decreases) in Liabilities:					
Accounts Payable	41,106	(84,218)	0		(43,112)
Due to Other Funds	(758)	0	0		(758)
Intergovernmental Payable	(15,103)	0	0		(15,103)
Deferred Revenue	945	0	0		945
Accrued Wages and Benefits	2,912	0	0		2,912
Claims Payable	0	(116,706)	0		(116,706)
Compensated Absences	94	0	0		94
Total Adjustments	<u>31,782</u>	<u>(128,305)</u>	<u>0</u>		<u>(96,523)</u>
Net Cash Provided by Operating Activities	(122,427)	148,361	239		26,173
Cash Flows from Noncapital Activities:					
Grants from State Sources	3,548	0	0		3,548
Grants from Federal Sources	123,500	0	0		123,500
Other Sources/Uses	30,771	0	0		30,771
Net Cash Provided by Noncapital Financing Sources	<u>157,819</u>	<u>0</u>	<u>0</u>		<u>157,819</u>
Cash Flows from Capital Financing Activities:					
Acquisition of Capital Assets	<u>(2,600)</u>	<u>0</u>	<u>0</u>		<u>(2,600)</u>
Net Cash Used in Capital Financing Activities	(2,600)	0	0		(2,600)
Net Increase in Cash & Cash Equivalents	32,792	148,361	239		181,392
Cash and Cash Equivalents at Beginning of Year	<u>289</u>	<u>25,398</u>	<u>5,190</u>		<u>30,877</u>
Cash and Cash Equivalents at End of Year	<u>\$ 33,081</u>	<u>173,759</u>	<u>5,429</u>	\$	<u>212,269</u>
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet:</u>					
Cash and Cash Equivalents	\$ 33,081	173,759	194,687	\$	401,527
Less: Cash and Cash Equivalents in Agency and Expendable Trust Funds	<u>0</u>	<u>0</u>	<u>(189,258)</u>		<u>(189,258)</u>
Cash and Cash Equivalents at End of Year	<u>\$ 33,081</u>	<u>173,759</u>	<u>5,429</u>	\$	<u>212,269</u>

See Accompanying Notes to the General Purpose Financial Statements

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Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies

The financial statements of the Canal Winchester Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District 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 District is a local district as defined by Section 3311.0 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2000, was 2,246. The District employed 162 certified employees and 85 non-certificated employees. The District is supervised by the Franklin County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 2002 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds and Non-Expendable Trust Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.

- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent and the Board of Education. Appropriating may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 2001, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, certificates of deposit, treasury notes, federal agency securities and banker's acceptances.

Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices.

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 June 30, 2001.

For the District, all investment earnings accrue to the General Fund, Special Revenue Funds, Debt Service, Capital Projects Funds, Enterprise Funds, and Expendable and Non-Expendable Trust Funds as authorized by board resolution. Interest income earned in fiscal year 2001 totaled \$1,561,446.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2001. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2001 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets are disposed in accordance with District policy and guidelines. The District capitalizes all proprietary assets and governmental assets over a threshold of \$500, and those assets who by quantity have a material value. The District does not have any infrastructure.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment and furnishings in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets varying from eight to twenty years.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available.

Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

- State Foundation Program
- Homestead and Rollback Tax Relief Subsidy
- School Bus Funding

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

Capital Projects Fund

School Net Grant

Special Revenue Funds

Educational Management Information Systems

Auxiliary Services Fund

Non-Reimbursable Grants:

Special Revenue Funds

Title I Title III

Title VI Chapter II

Drug Free Schools

Industrial Training Program

Title VI B

Eisenhower Math/Science

OECN Grant

Serve America Grant

Professional Development Grant

Post Secondary Adult Vocational Education Grant

Miscellaneous State and Federal Grants

Reimbursable Grants:

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 34% of the District's operating revenue during the 2001 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2001, the District had \$208,363 in "Due to Other Funds" and no "Interfund Receivables/Payables."

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2001 the District had no long-term interfund loans.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

M. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with fifteen or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2001, the District had \$301,998 in contributed capital.

O. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

P. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Q. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for encumbrances, debt and endowment.

The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds. The reserve for endowment is for the non-expendable principal of the trust funds.

R. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

S. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 2. Budgetary Basis of Accounting

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Type and Similar Fiduciary Type Fund Governmental Fund Type				Expendable Trust Fund
	General Fund	Special Revenue	Debt Service	Capital Project	
GAAP Basis	\$(1,452,280)	20,044	(417,307)	(583,121)	\$ (50)
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue Accruals	50,329	15,586	616,593	(36,674)	0
Due to Expenditures:					
Net Adjustments to Expenditure Accruals	(285,136)	(34,893)	(1)	(11,981,380)	2
Due to Other Uses:	9,245	(308)	0	0	0
Budget Basis	<u><u>\$(1,677,842)</u></u>	<u><u>429</u></u>	<u><u>199,285</u></u>	<u><u>(12,601,175)</u></u>	<u><u>\$ (48)</u></u>

Note 3. Cash and Investments

State statutes classify monies held by the District 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 District 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 the Board of Education has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the District'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 treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 3. Cash and Investments (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bond 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) 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 (STAR Ohio); and

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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 District, 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

Deposits: At year end, the carrying amount of the District's deposits was \$41,234 and the bank balance was \$100,075. Of the bank balance:

1. \$100,000 was covered by Federal Depository Insurance Corporation (FDIC); and

2. \$75 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 3. Cash and Investments (continued)

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	2	3	Carrying Value	Fair Value
Federal Agency Securities	X		\$ 1,028,300	\$ 1,028,300
Repurchase Agreements		X	53,511	53,511
Certificates of Deposit		X	2,200,000	2,200,000
Star Ohio		X	15,818,617	15,818,617
Total Investments			<u>\$ 19,100,428</u>	<u>\$ 19,100,428</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 19,141,662	\$ 0
Investments:		
Repurchase Agreement	(53,511)	53,511
Certificates of Deposit	(2,200,000)	2,200,000
Federal Agency Securities	(1,028,300)	1,028,300
STAR Ohio	(15,818,617)	15,818,617
GASB Statement No. 3	<u>\$ 41,234</u>	<u>\$ 19,100,428</u>

**Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 4. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Franklin County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2000, an update will be conducted in 2003. The next revaluation is scheduled for 2006. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Multi-county taxpayers may pay annually or semi-annually. The first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Franklin County Treasurer collects property tax on behalf of the District. The Franklin County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

The full tax rate at the fiscal year ended June 30, 2001 for operations was \$47.10 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 33,078,930
Real Property-Residential/Agricultural	183,519,940
Real Property-Public Utilities	17,260
Personal Property-General	17,877,187
Personal Property-Public Utilities	<u>20,739,320</u>
Total Assessed Value	<u>\$ 255,232,637</u>

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 5. Income Tax

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 6. Receivables

Receivables at June 30, 2001 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Field Trip Reimbursement	\$ <u>72</u>
Total General Fund	72
Proprietary Funds	
State and Federal Lunchroom Reimbursements	<u>12,604</u>
Grand Total	<u>\$ 12,676</u>

Note 7. Fixed Assets

The following is a summary of the proprietary fund's property, plant and equipment at June 30, 2001:

Furniture and Equipment	\$ 329,529
Vehicles	<u>2,601</u>
Total Fixed Assets	332,130
Less Accumulated Depreciation	<u>(137,842)</u>
Net Fixed Assets	<u>\$ 194,288</u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Land and Improvements	\$ 1,359,160	0	0	\$ 1,359,160
Buildings	25,550,499	6,548	0	25,557,047
Furniture and Equipment	2,306,504	399,086	157,215	2,548,375
Vehicles	936,115	316,500	11,500	1,241,115
Total General Fixed Assets	<u>\$ 30,152,278</u>	<u>722,134</u>	<u>168,715</u>	<u>\$ 30,705,697</u>

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 8. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$239,208, \$232,044 and \$153,924 respectively; 45 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$145,681 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as an intergovernmental payable within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,000,464, \$904,896 and \$714,012, respectively; 83.33 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$166,744 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 9. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$321,578 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$193,522.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

**Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 10. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 months) are eligible for vacation time. The administrators accumulate vacation based upon the following schedule:

Eleven Month Administrators		Twelve Month Administrators	
Years Service	Vacation Days	Years Service	Vacation Days
0-15	15	0-15	20
16-beyond	20	16-beyond	25

One to ten days may be carried over per year without Board approval up to a total of 35 days. Additional days carried over require Board approval.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Classified employees may carry one to ten days over per year without Board approval to a total of twenty days. Additional days carried over require Board approval.

The classified personnel accumulate vacation based on the following schedule:

Years Service	Vacation Days
0-5	10
6-10	12
11-15	15
16-beyond	20

Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees is 210 days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to forty-five days. The District's liability for Compensated Absences at June 30, 2001, is \$563,135.

Any employee receiving separation severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to forty-five days.

For certified and classified employees, separation severance is paid to each employee upon resignation from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of fifteen consecutive years at the time of retirement.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 11. Risk Management

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate. The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$35,274,620.

B. Workers' Compensation-Public Entity Risk Pool

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

The District has established an internal service "self-insurance" fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs. This self-insurance fund was established for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the General Fund, Lunchroom Fund, and certain Special Revenue Funds (Grants). Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier. Effective July 1, 1997, the District terminated the independent carrier full indemnity insurance for basic medical, and prescription drug coverage and joined the South Central Ohio Insurance Consortium. The District maintains an independent self-insurance fund for dental coverage.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 11. Risk Management (continued)

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$65,869, at June 30, 2001.

A summary of changes in self-insurance claims for the year ended June 30, 2001:

	<u>2001</u>	<u>2000</u>
Claim Liabilities at Beginning of Year	\$ 182,575	\$ 116,767
Incurred Claims	1,062,681	962,381
Claims Paid	<u>(1,179,387)</u>	<u>(896,573)</u>
Claim Liabilities at End of Year	<u>\$ 65,869</u>	<u>\$ 182,575</u>

SCOIC currently includes six member school districts. Contributions are determined by the consortium's board of directors and are remitted monthly to the consortium's fiscal agent, who then pays all incurred claims. Thus actual cash "reserves" are held by the fiscal agent.

Professional Risk Management, Inc., a third party administrator, services all health/medical claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$40,000 and \$2,000,000 lifetime maximum, per employee consortium wide.

**Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 12. Notes and Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

	Balance			Balance June 30,2001
	July 1, 2000	Additions	Deletions	
Intergovernmental Payable	\$ 91,750	104,062	91,750	\$ 104,062
Notes Payable	15,100,000	15,100,000	15,100,000	15,100,000
General Obligation Bonds Payable	18,969,860	0	830,000	18,139,860
Capital Leases Payable	58,266	101,967	0	160,233
H.B. 264 Energy Bonds	858,781	0	125,000	733,781
School Bus Notes	253,000	0	31,000	222,000
State Construction Loan	3,284,109	0	3,284,109	0
Compensated Absences Payable	521,296	536,634	521,296	536,634
Total	\$ 39,137,062	15,842,663	19,983,155	\$ 34,996,570

General Obligation Bonds:

\$13,895,000 of the outstanding general obligation bonds relates to a new project issued April, 1998, for which bonds were issued for the purpose of constructing and equipping a new elementary school and improving the site thereof. These bonds mature December 2025 and have an interest rate of 5.3%.

\$135,000 of the outstanding general obligation bonds relate to a new project issued May, 1998, for which bonds were issued for the purpose of constructing and equipping a modular facility on the high school site for the administrative services. These bonds mature June 2008. This issue is funded through revenue generated from .01 of one percent of the inside millage and have an interest rate of 5.55%.

\$3,134,860 of the outstanding general obligation bonds relate to a project issued June, 1993, for which bonds were issued for the purpose of constructing and equipping a new high school and improving the site thereof. These bonds mature December 2013, and have an interest rate of 5.317%.

\$75,000 of the outstanding general obligation bonds relates to a project issued February, 1981, for which bonds were issued for the purpose of renovation of the middle/elementary building and purchase of school buses. These bonds mature December 2003, and have an interest rate of 7.02%.

\$900,000 of the outstanding general obligation bonds relates to a project issued May, 2000, for which bonds were issued for the purpose of constructing a new intermediate building, an addition to the high school and renovations to the current intermediate building. These bonds mature June, 2028, and have an interest rate of 6.375%.

All the general obligation bonds are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 12. Notes and Long-Term Debt (continued)

The annual maturities of the general obligation bonds as of June 30, 2001, and related interest payments are as follows:

	Principal	Interest	Payment
FY2002	\$ 970,000	944,358	\$ 1,914,358
FY2003	415,000	911,942	1,326,942
FY2004	435,000	889,487	1,324,487
FY2005	525,000	865,046	1,390,046
FY2006	289,175	1,167,248	1,456,423
FY2007 and thereafter	15,505,685	10,232,610	25,738,295
	<u>\$ 18,139,860</u>	<u>15,010,691</u>	<u>\$ 33,150,551</u>

Capital Leases Payable:

The District is making installment payments on eight copiers. This equipment has been capitalized in the general fixed assets account group. This obligation has an outstanding balance of \$160,233 at June 30, 2001.

Payment for the installment purchase obligations as of June 30, 2001:

	Principal	Interest	Total
FY2002	\$ 53,706	10,924	\$ 64,630
FY2003	37,200	6,767	43,967
FY2004	34,602	4,184	38,786
FY2005	34,725	1,523	36,249
	<u>\$ 160,233</u>	<u>23,398</u>	<u>\$ 183,632</u>

State Construction Loan:

In 1991, the District received a \$3,816,425 interest free loan from the State of Ohio for the construction of classroom facilities. Pursuant to changes to Section 3318.082 ORC and Section 3318.06 as amended, the District may retain half of the half-mill locally for maintenance of classroom facilities constructed or renovated if the District's adjusted valuation per pupil is greater than the statewide median adjusted valuation per pupil. The District retained half of the half-mill locally as per the amendment. The state loan is exempt from debt limitations. Senate Bill 272, which became effective on September 14, 2000, relieved the District of making future payments on this loan.

**Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 12. Notes and Long-Term Debt (continued)

School Bus Notes:

The District has issued notes in the amount of \$340,000 for the purchase of school buses. This financing is authorized by the Ohio Revised Code Section 133.15A and Ohio Revised Code Section 3327.08. The notes mature in 2007, with interest payable at 5.38%.

The annual maturities of the notes as of June 30, 2001, and related interest payments are as follows:

	Principal	Interest	Payment
FY2002	\$ 32,000	11,980	\$ 43,980
FY2003	34,000	10,268	44,268
FY2004	35,000	8,450	43,450
FY2005	37,000	6,577	43,577
FY2006	41,000	4,579	45,579
FY2007	43,000	2,367	45,367
	<u>\$ 222,000</u>	<u>44,221</u>	<u>\$ 266,221</u>

H. B. 264 Energy Bonds:

The Board of Education has authorized the issuance of Energy Conservation bonds in the original amount of \$1,288,781 as authorized by House Bill 264. The bonds are to be paid by the Debt Service Fund from energy expense savings. The bonds were dated July 15, 1996, and mature in 2006, with interest payable at 5.75%.

The annual maturities of the bonds as of June 30, 2001, and related interest payments are as follows:

	Principal	Interest	Payment
FY2002	\$ 130,000	42,193	\$ 172,193
FY2003	140,000	34,717	174,717
FY2004	145,000	26,667	171,667
FY2005	155,000	18,330	173,330
FY2006	163,781	9,417	173,198
	<u>\$ 733,781</u>	<u>131,324</u>	<u>\$ 865,105</u>

Bond Anticipation Notes:

On December 21, 2000, the District issued \$15,100,000 in Bond Anticipation Notes at an interest rate of 4.59% in accordance with Section 133 ORC. These notes were issued for the purpose of constructing a new intermediate building, an addition to the high school and renovations to the current intermediate building.

**Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 12. Notes and Long-Term Debt (continued)

Internal Revenue Service Rebates:

Periodically the District borrows funds to finance certain capital projects. These borrowings often involve the issuance of tax-exempt securities. The proceeds of these securities are invested during the construction term of the capital project. As a result, the interest earned on these invested proceeds may be subject to certain rebate regulations in the Internal Revenue Service (IRS) tax code. These regulations may require the district to return a portion of the interest earned on these funds. Consequently, not all of the balances reflecting interest earnings may be available in the future for District use but may be subject to rebate to the IRS. At June 30, 2001, the arbitrage calculation is not yet required; therefore, the District can not estimate the potential rebate.

Debt Limitations:

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation, unless approved by the State Superintendent of Instruction. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has issued \$150,000 in unvoted debt; the District's unvoted debt limit is \$255,233. The voted debt limit at June 30, 2001 is \$22,970,937.

Note 13. Jointly Governed Organization

Metropolitan Educational Council - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. MEC is established under the Ohio Revised Code chapter 167 as a regional council of governments. The governing board of MEC consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. MEC provides computer services to the District.

The District has an equity interest that is explicit and measurable in that the joint venture agreement stipulates that the participants have a future claim to the net resources of MEC upon dissolution. MEC is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future.

Financial information can be obtained from the offices of the Director, Metropolitan Educational Council, 6100 Channingway Blvd., Columbus, Ohio.

South Central Ohio Insurance Consortium - The South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 14. Fund Deficits

Retained Earnings at June 30, 2001, included the following individual fund deficits:

Enterprise Fund	\$	(109,973)
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These deficits are a result of recognition of accruals. The general fund is liable for any deficit in the funds and provides operating transfers when cash is required, not when accruals occur.

Note 15. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

Canal Winchester Local School District
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 16. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2001.

Note 17. Statutory Reserves

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2000	\$ 0	\$ 0	\$ 211,743	\$ 211,743
Current Year Set-Aside Requirement	314,323	314,323	0	628,646
Qualifying Disbursements	<u>(401,289)</u>	<u>(342,342)</u>	<u>(211,743)</u>	<u>(955,374)</u>
Total	<u>\$ (86,966)</u>	<u>\$ (28,019)</u>	<u>\$ 0</u>	<u>\$ (114,985)</u>
Cash Balance Carried Forward to FY2002	<u>\$ (86,966)</u>	<u>\$ (28,019)</u>	<u>\$ 0</u>	
Total Restricted Assets				<u>\$ 0</u>

Note 18. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. At June 30, 2001 there was no effect on fund balances as a result of implementing GASB 33.

**Report on Compliance and on Internal Control
Required by Government Auditing Standards**

Board of Education
Canal Winchester Local School District
Canal Winchester, Ohio

We have audited the financial statements of the Canal Winchester Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Canal Winchester Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2001-01.

Internal Control Over Financial Reporting

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

This report is intended for the information of the Canal Winchester Local School District's Board of Education, the Canal Winchester Local School District's Management, Federal Awarding Agencies, and Pass-Through Entities, and is not intended to be and should not be used by anyone other than these specified parties.



Cleveland, Ohio
December 7, 2001

**Report On Compliance With Requirements Applicable To Each
Major Program and On Internal Control Over Compliance and on the
Schedule of Expenditures of Federal Awards In
Accordance With OMB Circular A-133**

Board of Education
Canal Winchester Local School District
Canal Winchester, Ohio

Compliance

We have audited the compliance of the Canal Winchester Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2001. The Canal Winchester Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the Canal Winchester Local School District's management. Our responsibility is to express an opinion on the Canal Winchester Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Canal Winchester Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Canal Winchester Local School District's compliance with those requirements.

In our opinion, the Canal Winchester Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the Canal Winchester Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Canal Winchester Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the Canal Winchester Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 7, 2001. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of audit committee, management, Board of Education, the Auditor of State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cleveland, Ohio
December 7, 2001

CANAL WINCHESTER LOCAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2001

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Awards Expended</u>
U.S. Department of Agriculture:			
Pass-Through Ohio Department of Education:			
Nutrition Cluster:			
Food Distribution Program	10.550	N/A	\$ 37,588
National School Lunch Program	10.555	N/A	<u>89,968</u>
Total U.S. Department of Agriculture – Nutrition Cluster			<u>127,556</u>
 U.S. Department of Education:			
Pass-Through Ohio Department of Education:			
Title VI-B – Education of Handicapped Children	84.027	6B-SF-99P	308
		6B-SF-00P	25,602
		6B-SF-01P	52,240
Chapter I – Education Consolidation and Improvement Act	84.010	C1-S1-2000	6,945
		C1-S1-2001	38,934
Title VI – Innovative Education Program Strategies	84.298	C2-S1-2000	871
		C2-S1-2001	8,477
Drug Free Schools Grant	84.186	DR-S1-2001	9,756
Eisenhower Professional Development State Grant	84.281	MS-S1-2000	4,784
		MS-S1-2001	1,679
Class Size Reduction	84.340	CR-S1-2000	11,701
		CR-S1-2001	13,206
School to Work	17.249	99BO104	3,761
		STW-2001	12,824
JOG-CBI Pilot	84.084	073	<u>2,275</u>
Total U.S. Department of Education			<u>193,363</u>
 Total Expenditures of Federal Awards			 \$ <u>320,919</u>

The accompanying notes are an integral part of this schedule

CANAL WINCHESTER LOCAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2001

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Canal Winchester Local School District (the "District").

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting. The District's expenditures for the year ended June 30, 2001 as reported on the Schedule reflect federal expenditures only and do not include matching expenditures.

The accompanying notes are an integral part of this schedule

CANAL WINCHESTER LOCAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Programs	Title VI-B – Education of Handicapped Children, CFDA No. 84.027; Food Distribution Program, CFDA No. 10.550; National School Lunch Program, CFDA No. 10.555
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No. No single audit in prior year.

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

2001-1 Ohio Revised Code 5705.41(B) states that no subdivision or taking unit is to expend money unless it has been appropriated.

At June 30, 2001, the District had expenditures in excess of appropriations as follows:

<u>Fund/Object</u>	<u>Excess</u>
General Fund:	
Occupation Oriented Activities	\$ 235,046

3. FINDINGS FOR FEDERAL AWARDS

None.

CANAL WINCHESTER LOCAL SCHOOL DISTRICT

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 SECTION .505

JUNE 30, 2001

There were no prior audit findings.

CANAL WINCHESTER LOCAL SCHOOL DISTRICT

**290 WASHINGTON STREET
CANAL WINCHESTER, OH 43110
(614) 837-4533**

**Response to Findings Associated With
Audit Conducted in Accordance with *Government Auditing Standards*
for the Year Ended June 30, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-1	Management will monitor expenditures to ensure that they do not exceed appropriations.	N/A	Joyce Boyer, Treasurer



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

CANAL WINCHESTER LOCAL SCHOOL DISTRICT

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
JANUARY 29, 2002**