

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2007***

JOYCE BOYER, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Canal Winchester Local School District
290 Washington Street
Canal Winchester, Ohio 43110

We have reviewed the *Independent Auditor's Report* of the Canal Winchester Local School District, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 6, 2008

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**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Canal Winchester Local School District
290 Washington Street
Canal Winchester, OH 43110

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Canal Winchester Local School District, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Canal Winchester Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Canal Winchester Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*. 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 the 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 opinions.

As disclosed in Note 3, Canal Winchester Local School District has restated its net assets and fund balances at July 1, 2006 to properly account for its insurance activities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Canal Winchester Local School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund for the fiscal 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, 2007, on our consideration of Canal Winchester Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
Canal Winchester Local School District
Page Two

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Canal Winchester Local School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Canal Winchester Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Julian & Grube, Inc.
December 7, 2007

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The management's discussion and analysis of Canal Winchester Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets increased \$356,576. Net assets of governmental activities increased \$364,496, which represents a 2.54% increase from 2006. Net assets of business-type activities decreased \$7,920 or 5.53% from 2006.
- General revenues accounted for \$30,690,447 in revenue or 87.37% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,423,870 or 12.59% of total revenues of \$35,125,317.
- The District had \$33,909,958 in expenses related to governmental activities, \$3,595,983 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$30,689,611 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and building fund. The general fund had \$27,548,536 in revenues and other financing sources and \$27,670,863 in expenditures and other financing uses. The fund balance of the general fund decreased from \$5,228,333 to \$5,106,006.
- The debt service fund had \$52,756,485 in revenues and other financing sources and \$52,526,695 in expenditures and other financing uses. The fund balance of the debt service fund increased from \$3,282,230 to \$3,512,020.
- The building fund had \$972,622 in revenues and \$18,736,639 in expenditures. The fund balance of the building fund decreased from \$26,973,312 to \$9,209,295.
- Net assets for the District's enterprise fund decreased \$7,920 or 5.53%. The food service fund net assets decreased from \$143,204 to \$135,284 on expenses of \$847,783 versus revenues (both operating and non-operating) of \$828,723.

Using this Financial Report

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

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has three major funds: the general fund, debt service fund and building fund. The general fund is by far the most significant fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Assets* and the *Statement of Activities*, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service program is reported as business activities.

The District's statement of net assets and statement of activities can be found on pages 15-17 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10 and the analysis of the District's business-type activities enterprise funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

Proprietary Funds

The proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-62 of this report.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

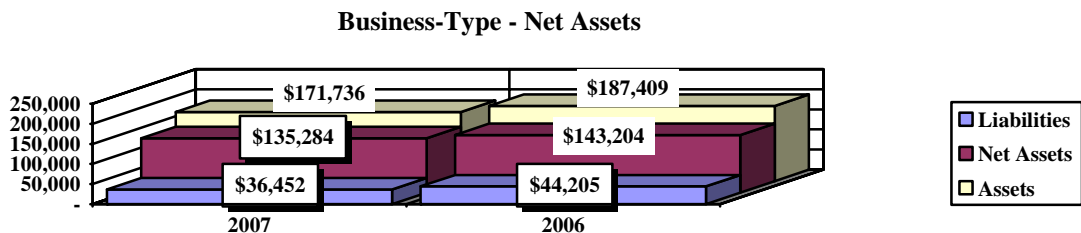
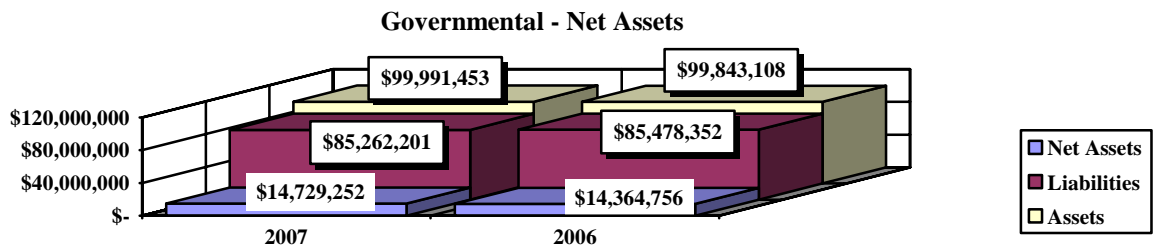
The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The net assets of the District have been restated as detailed in Note 3.A. The table below provides a summary of the District's net assets for 2007 and 2006.

	Governmental Activities		Business-Type Activities		Total	
		Restated		Restated		Restated
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 34,622,727	\$ 52,434,965	\$ 31,618	\$ 34,857	\$ 34,654,345	\$ 52,469,822
Capital assets	<u>65,368,726</u>	<u>47,408,143</u>	<u>140,118</u>	<u>152,552</u>	<u>65,508,844</u>	<u>47,560,695</u>
Total assets	<u>99,991,453</u>	<u>99,843,108</u>	<u>171,736</u>	<u>187,409</u>	<u>100,163,189</u>	<u>100,030,517</u>
Liabilities						
Current liabilities	13,532,602	15,061,502	30,466	37,741	13,563,068	15,099,243
Long-term liabilities	<u>71,729,599</u>	<u>70,416,850</u>	<u>5,986</u>	<u>6,464</u>	<u>71,735,585</u>	<u>70,423,314</u>
Total liabilities	<u>85,262,201</u>	<u>85,478,352</u>	<u>36,452</u>	<u>44,205</u>	<u>85,298,653</u>	<u>85,522,557</u>
Net Assets						
Invested in capital assets, net of related debt	4,775,378	10,098,353	140,118	152,552	4,915,496	10,250,905
Restricted	5,870,893	4,594,310	-	-	5,870,893	4,594,310
Unrestricted (deficit)	<u>4,082,981</u>	<u>(327,907)</u>	<u>(4,834)</u>	<u>(9,348)</u>	<u>4,078,147</u>	<u>(337,255)</u>
Total net assets	<u>\$ 14,729,252</u>	<u>\$ 14,364,756</u>	<u>\$ 135,284</u>	<u>\$ 143,204</u>	<u>\$ 14,864,536</u>	<u>\$ 14,507,960</u>

Total net assets increased by \$108,664 due primarily to an overall increase in capital assets.

The graph below presents the District's governmental and business-type net assets for fiscal years 2007 and 2006.



**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The table below shows the changes in net assets for fiscal years 2007 and 2006.

	Change in Net Assets					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	Restated 2006	2007	Restated 2006	2007	Restated 2006
Revenues						
Program revenues:						
Charges for services and sales	\$ 875,472	\$ 854,002	\$ 556,975	\$ 536,729	\$ 1,432,447	\$ 1,390,731
Operating grants and contributions	2,682,976	1,452,217	270,912	268,127	2,953,888	1,720,344
Capital grants and contributions	37,535	1,100,256	-	-	37,535	1,100,256
General revenues:						
Property taxes	13,626,032	12,957,494	-	-	13,626,032	12,957,494
Income taxes	3,225,064	2,604,518	-	-	3,225,064	2,604,518
Grants and entitlements	12,059,326	12,245,191	-	-	12,059,326	12,245,191
Investment earnings	1,580,717	587,664	836	2,094	1,581,553	589,758
Miscellaneous	198,472	148,622	-	6,161	198,472	154,783
Total revenues	34,285,594	31,949,964	828,723	813,111	35,114,317	32,763,075
Expenses						
Program expenses:						
Instruction:						
Regular	13,283,902	12,866,288	-	-	13,283,902	12,866,288
Special	3,436,158	3,025,150	-	-	3,436,158	3,025,150
Vocational	757,157	764,552	-	-	757,157	764,552
Other	-	9,022	-	-	-	9,022
Support services:						
Pupil	1,754,234	1,515,325	-	-	1,754,234	1,515,325
Instructional staff	1,542,238	1,338,408	-	-	1,542,238	1,338,408
Board of education	368,549	56,227	-	-	368,549	56,227
Administration	2,602,420	2,113,500	-	-	2,602,420	2,113,500
Fiscal	685,035	688,233	-	-	685,035	688,233
Operations and maintenance	3,107,452	2,719,080	-	-	3,107,452	2,719,080
Pupil transportation	2,564,378	2,208,139	-	-	2,564,378	2,208,139
Central	193,501	320,189	-	-	193,501	320,189
Operation of non-instructional services	14,478	14,478	-	-	14,478	14,478
Extracurricular activities	1,003,199	910,682	-	-	1,003,199	910,682
Interest and fiscal charges	2,597,257	3,359,091	-	-	2,597,257	3,359,091
Food service	-	-	847,783	840,101	847,783	840,101
Total expenses	33,909,958	31,908,364	847,783	840,101	34,757,741	32,748,465
Changes in net assets before transfers	375,636	41,600	(19,060)	(26,990)	356,576	14,610
Transfers	(11,140)	(10,060)	11,140	10,060	-	-
Special item loss on sale of capital assets	-	(408,057)	-	-	-	(408,057)
Changes in net assets	364,496	(376,517)	(7,920)	(16,930)	356,576	(393,447)
Net assets at beginning of year	14,364,756	14,741,273	143,204	160,134	14,507,960	14,901,407
Net assets at end of year	\$ 14,729,252	\$ 14,364,756	\$ 135,284	\$ 143,204	\$ 14,864,536	\$ 14,507,960

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

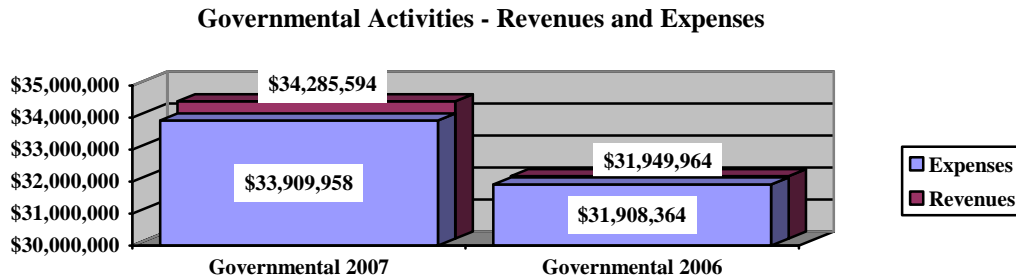
Governmental Activities

Net assets of the District's governmental activities increased \$364,496. Total governmental expenses of \$33,909,958 were offset by program revenues of \$3,595,983, and general revenues of \$30,689,611. Program revenues supported 10.60% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 84.32% of total governmental revenue. Real estate property is reappraised every six years.

The District's financial condition is solid as of the end of fiscal year 2007. The principal cause for concern is stagnate growth in revenue, increases in student enrollment causing increases in personnel costs, coupled with major increases in special education costs and utility costs.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2007 and 2006.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2007 and 2006. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	(Restated) Total Cost of Services 2006	(Restated) Net Cost of Services 2006
Program expenses:				
Instruction:				
Regular	\$ 13,283,902	\$ 12,806,442	\$ 12,866,288	\$ 11,193,974
Special	3,436,158	2,185,937	3,025,150	2,647,114
Vocational	757,157	613,049	764,552	764,552
Other	-	-	9,022	39

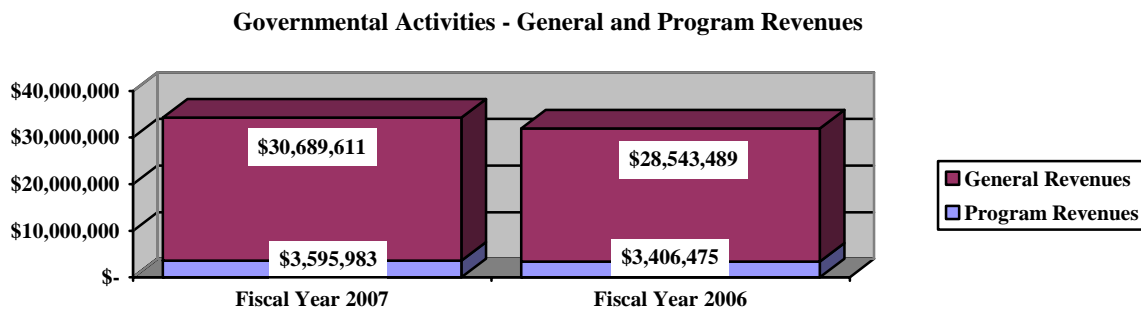
**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	(Restated) Total Cost of Services <u>2006</u>	(Restated) Net Cost of Services <u>2006</u>
Support services:				
Pupil	\$ 1,754,234	\$ 1,198,070	\$ 1,515,325	\$ 1,053,116
Instructional staff	1,542,238	1,190,835	1,338,408	1,123,265
Board of Education	368,549	368,549	56,227	56,227
Administration	2,602,420	2,516,419	2,113,500	2,051,773
Fiscal	685,035	672,171	688,233	678,307
Operations and maintenance	3,107,452	3,071,610	2,719,080	2,676,640
Pupil transportation	2,564,378	2,403,500	2,208,139	2,114,592
Central	193,501	178,501	320,189	305,189
Operation of non-instructional services	14,478	14,478	14,478	14,478
Extracurricular activities	1,003,199	497,157	910,682	463,532
Interest and fiscal charges	<u>2,597,257</u>	<u>2,597,257</u>	<u>3,359,091</u>	<u>3,359,091</u>
Total expenses	<u>\$ 33,909,958</u>	<u>\$ 30,313,975</u>	<u>\$ 31,908,364</u>	<u>\$ 28,501,889</u>

The dependence upon tax revenues during fiscal year 2007 for governmental activities is apparent, as 89.29% of 2007 instruction activities are supported through taxes and other general revenues. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.



Business-Type Activities

Business-type activities include food service operations. This program had revenues of \$828,723 and expenses of \$847,783 for fiscal year 2007. Business-type activities decreased \$7,920 in fiscal year 2007. The District's business-type activities do not receive support from tax revenues. The activities of the enterprise fund are presented on pages 23-25.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The District's Governmental Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$18,873,628, which is below last year's total of \$36,036,994 as restated. The District restated the fund balances as detailed in Note 3.A. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30,2007</u>	Restated Fund Balance <u>June 30,2006</u>	Increase <u>(Decrease)</u>
General	\$ 5,106,006	\$ 5,228,333	\$ (122,327)
Debt Service	3,512,020	3,282,230	229,790
Building	9,209,295	26,973,312	(17,764,017)
Other Governmental	<u>1,046,307</u>	<u>553,119</u>	<u>493,188</u>
Total	<u>\$ 18,873,628</u>	<u>\$ 36,036,994</u>	<u>\$(17,163,366)</u>

General Fund

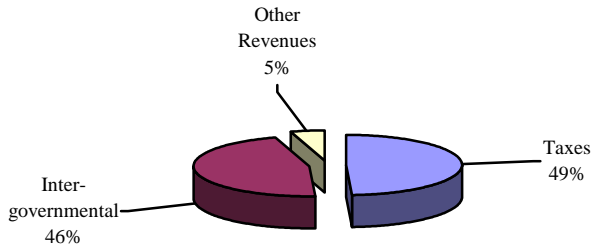
The District's general fund balance decreased \$122,327 during 2007. This was due to several factors. Expenditures increased due to increasing overall costs associated with the growth of the District. Earnings on investments increased due to rising interest rates, and real estate taxes and state foundation revenues increased. The table that follows assists in illustrating the revenues of the general fund.

	2007 <u>Amount</u>	2006 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 13,563,398	\$ 12,663,211	7.11 %
Intergovernmental	12,709,231	11,956,232	6.30 %
Other revenues	<u>1,269,408</u>	<u>1,044,052</u>	21.58 %
Total	<u>\$ 27,542,037</u>	<u>\$ 25,663,495</u>	7.32 %

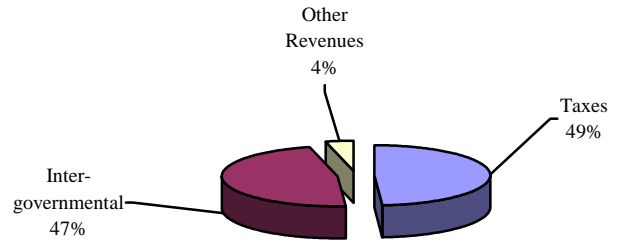
**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Revenues - Fiscal Year 2007



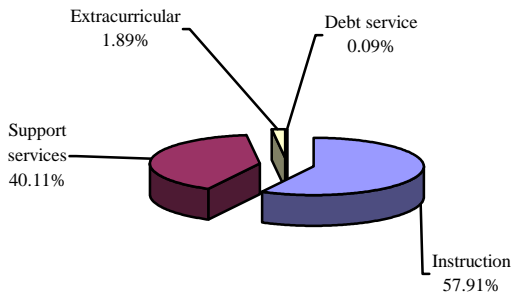
Revenues - Fiscal Year 2006



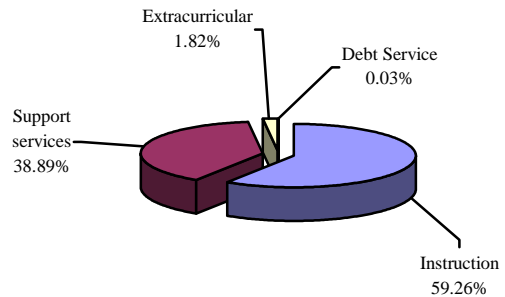
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 15,975,609	\$ 14,753,801	8.28 %
Support services	11,064,823	9,682,584	14.28 %
Extracurricular activities	522,590	453,580	15.21 %
Debt service	<u>24,655</u>	<u>7,260</u>	239.60 %
Total	<u>\$ 27,587,677</u>	<u>\$ 24,897,225</u>	10.81 %

Expenditures - Fiscal Year 2007



Expenditures - Fiscal Year 2006



**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Debt Service Fund

The debt service fund had \$52,756,485 in revenues and other financing sources and \$52,526,695 in expenditures and other financing uses. The fund balance of the debt service fund increased \$229,790 from \$3,282,230 to \$3,512,020.

Building Fund

The building fund had \$972,622 in revenues and \$18,736,639 in expenditures. The fund balance of the building fund decreased \$17,764,017 from \$26,973,312 to \$9,209,295.

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the District amended its general fund budget several times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budgeted revenues and other financing sources were \$25,615,340. Final budgeted revenues of \$26,566,610 were \$131,013, below actual revenues and other financing sources of \$26,697,623. Of this \$131,013 difference, actual other local revenues were higher than anticipated.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$29,284,151 and final appropriations were \$28,330,809. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$28,123,605, which was \$207,204 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$65,508,844 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress (CIP). The following table shows fiscal year 2007 balances compared to 2006:

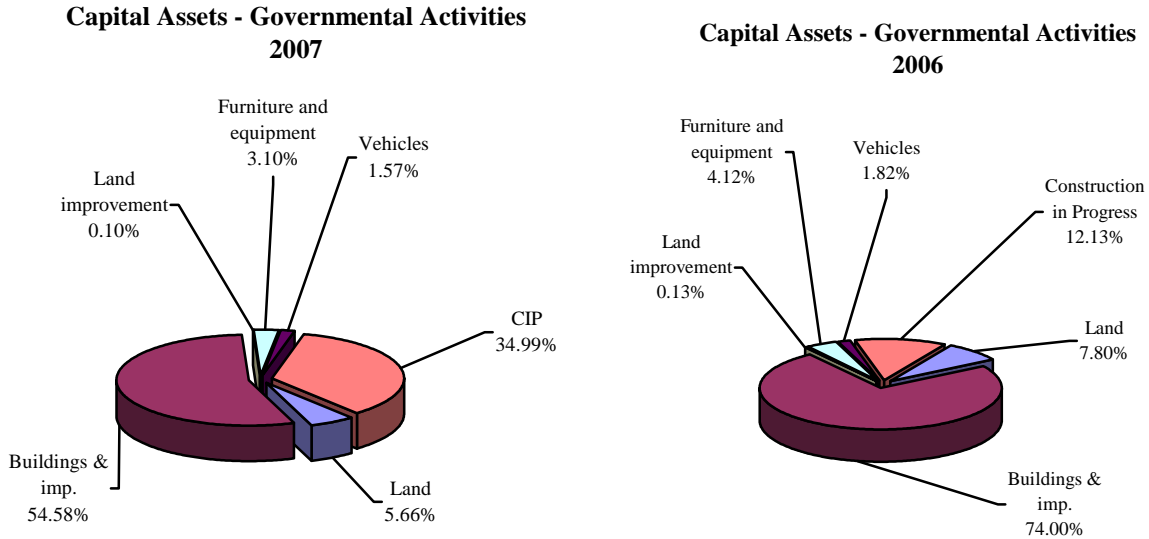
**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 3,698,648	\$ 3,698,648	\$ -	\$ -	\$ 3,698,648	\$ 3,698,648
Land improvements	62,350	63,420	-	-	62,350	63,420
Buildings and improvements	35,681,164	35,081,326	-	-	35,681,164	35,081,326
Furniture and equipment	2,028,668	1,954,044	140,118	152,552	2,168,786	2,106,596
Vehicles	1,029,254	864,584	-	-	1,029,254	864,584
Construction in progress	22,868,642	5,746,121	-	-	22,868,642	5,746,121
Total	\$ 65,368,726	\$ 47,408,143	\$ 140,118	\$ 152,552	\$ 65,508,844	\$ 47,560,695

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The following graphs show the breakdown of governmental activities capital assets by category for 2007 and 2006.



The business-type activities capital assets by category for 2007 and 2006 were all in furniture and equipment.

See Note 9 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2007 the District had \$62,753,238 in general obligation bonds, \$1,241,298 in a lease purchase agreement and \$3,370,000 in school facilities construction and improvement notes outstanding. Of the total outstanding debt, \$4,953,031 is due within one year and \$62,411,505 is due within greater than one year. The following table summarizes the bonds, notes and lease obligations outstanding.

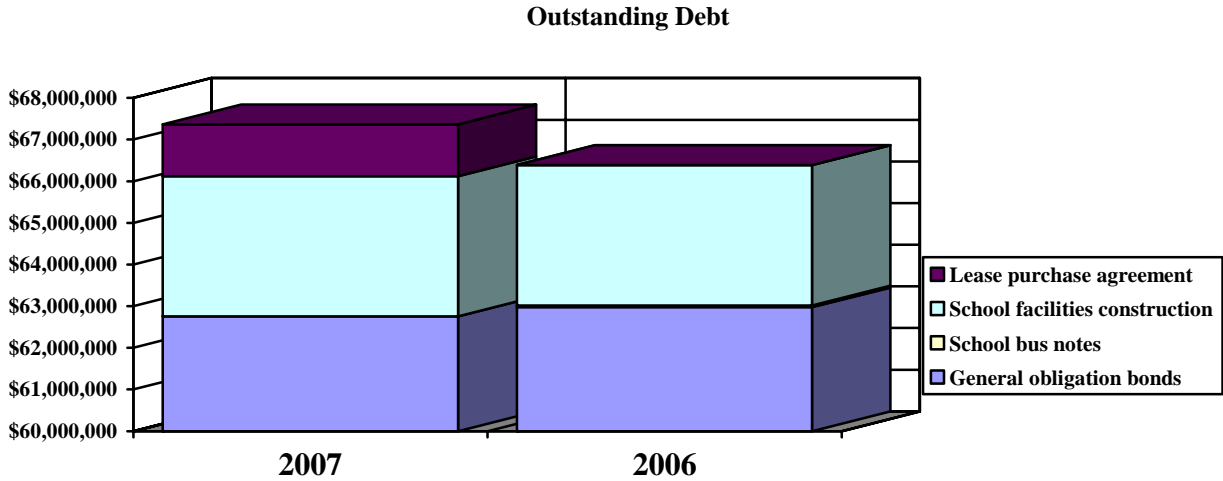
Outstanding Debt, at Year End

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
General obligation bonds	\$ 62,753,238	\$ 62,974,172
School bus notes	-	43,000
School facilities construction and improvement notes	3,370,000	3,370,000
Lease purchase agreement	<u>1,241,298</u>	-
Total	<u>\$ 67,364,536</u>	<u>\$ 66,387,172</u>

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The following graphs show the breakdown of outstanding debt by category for 2007 and 2006.



See Note 11 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The first challenge facing the District is based in the local economy. The District has experienced significant growth over the last 10 years. If the growth patterns in student population change so additional or fewer students enter the District than currently anticipated, adjustments will have to be made to the financial models upon which assumptions have been made. Also, an economic slowdown could result in revenue forecasts having to be revised downward. Either of these scenarios could cause the District to scale down the educational program offerings or seek additional resources.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Joyce Boyer, Treasurer, Canal Winchester Local School District, 290 Washington Street, Canal Winchester, Ohio 43110.

**BASIC
FINANCIAL STATEMENTS**

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**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 17,331,648	\$ 37,123	\$ 17,368,771
Cash in segregated accounts	11,150	-	11,150
Cash with fiscal agent	80,918	-	80,918
Receivables:			
Taxes	15,675,627	-	15,675,627
Accounts	32,243	1,811	34,054
Intergovernmental	399,935	27,601	427,536
Accrued interest	93,073	-	93,073
Internal loan	42,527	(42,527)	-
Materials and supplies inventory	-	7,610	7,610
Unamortized bond issue costs	955,606	-	955,606
Capital assets:			
Land and construction in progress	26,567,290	-	26,567,290
Depreciable capital assets, net	38,801,436	140,118	38,941,554
Capital assets, net	<u>65,368,726</u>	<u>140,118</u>	<u>65,508,844</u>
Total assets	<u>99,991,453</u>	<u>171,736</u>	<u>100,163,189</u>
Liabilities:			
Accounts payable	370,689	12,250	382,939
Contracts payable	32,824	-	32,824
Accrued wages and benefits	3,043,470	13,207	3,056,677
Pension obligation payable	588,834	4,607	593,441
Intergovernmental payable	161,103	402	161,505
Unearned revenue	9,004,418	-	9,004,418
Accrued interest payable	299,704	-	299,704
Matured bonds payable	10,000	-	10,000
Matured interest payable	1,150	-	1,150
Claims payable	20,410	-	20,410
Long-term liabilities:			
Due within one year	5,150,847	-	5,150,847
Due in more than one year	66,578,752	5,986	66,584,738
Total liabilities	<u>85,262,201</u>	<u>36,452</u>	<u>85,298,653</u>
Net Assets:			
Invested in capital assets, net of related debt	4,775,378	140,118	4,915,496
Restricted for:			
Capital projects	1,730,772	-	1,730,772
Debt service	3,448,908	-	3,448,908
Classroom facilities	277,284	-	277,284
Locally funded programs	61	-	61
State funded programs	37,041	-	37,041
Federally funded programs	290,712	-	290,712
Student activities	53,584	-	53,584
Public school support	32,531	-	32,531
Unrestricted (deficit)	<u>4,082,981</u>	<u>(4,834)</u>	<u>4,078,147</u>
Total net assets	<u>\$ 14,729,252</u>	<u>\$ 135,284</u>	<u>\$ 14,864,536</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 13,283,902	\$ 304,761	\$ 154,905	\$ 17,794
Special	3,436,158	-	1,250,221	-
Vocational	757,157	-	144,108	-
Support services:				
Pupil.	1,754,234	-	556,164	-
Instructional staff.	1,542,238	-	351,403	-
Board of education	368,549	-	-	-
Administration.	2,602,420	-	86,001	-
Fiscal.	685,035	-	12,864	-
Operations and maintenance	3,107,452	35,842	-	-
Pupil transportation	2,564,378	58,978	82,159	19,741
Central.	193,501	-	15,000	-
Operation of non-instructional services	14,478	-	-	-
Extracurricular activities	1,003,199	475,891	30,151	-
Interest and fiscal charges.	2,597,257	-	-	-
Total governmental activities.	<u>33,909,958</u>	<u>875,472</u>	<u>2,682,976</u>	<u>37,535</u>
Business-type activities:				
Food service.	<u>847,783</u>	<u>556,975</u>	<u>270,912</u>	<u>-</u>
Total business-type activities.	<u>847,783</u>	<u>556,975</u>	<u>270,912</u>	<u>-</u>
Totals.	<u>\$ 34,757,741</u>	<u>\$ 1,432,447</u>	<u>\$ 2,953,888</u>	<u>\$ 37,535</u>

General Revenues:
Property taxes levied for:
 General purposes
 Classroom facilities.
 Debt service.
Income taxes levied for:
 General purposes.
Grants and entitlements not restricted to specific programs.
Investment earnings
Miscellaneous
Total general revenues
Transfers.
Change in net assets.
Net assets at beginning of year (restated) . . .
Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-Type Activities	Total
\$ (12,806,442)	\$ -	\$ (12,806,442)
(2,185,937)	-	(2,185,937)
(613,049)	-	(613,049)
(1,198,070)	-	(1,198,070)
(1,190,835)	-	(1,190,835)
(368,549)	-	(368,549)
(2,516,419)	-	(2,516,419)
(672,171)	-	(672,171)
(3,071,610)	-	(3,071,610)
(2,403,500)	-	(2,403,500)
(178,501)	-	(178,501)
(14,478)	-	(14,478)
(497,157)	-	(497,157)
(2,597,257)	-	(2,597,257)
(30,313,975)	-	(30,313,975)
-	(19,896)	(19,896)
-	(19,896)	(19,896)
(30,313,975)	(19,896)	(30,333,871)
10,532,539	-	10,532,539
158,746	-	158,746
2,934,747	-	2,934,747
3,225,064	-	3,225,064
12,059,326	-	12,059,326
1,580,717	836	1,581,553
198,472	-	198,472
30,689,611	836	30,690,447
(11,140)	11,140	-
364,496	(7,920)	356,576
14,364,756	143,204	14,507,960
<u>\$ 14,729,252</u>	<u>\$ 135,284</u>	<u>\$ 14,864,536</u>

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 4,100,836	\$ 2,626,414	\$ 9,242,119	\$ 1,311,060	\$ 17,280,429
Cash in segregated accounts	-	11,150	-	-	11,150
Receivables:					
Taxes	12,475,579	3,035,887	-	164,161	15,675,627
Accounts	28,336	-	-	3,907	32,243
Intergovernmental	-	-	-	399,935	399,935
Accrued interest	93,073	-	-	-	93,073
Interfund loans	253,553	-	-	-	253,553
Advances to other funds	15,000	-	-	-	15,000
Total assets	<u>\$ 16,966,377</u>	<u>\$ 5,673,451</u>	<u>\$ 9,242,119</u>	<u>\$ 1,879,063</u>	<u>\$ 33,761,010</u>
Liabilities:					
Accounts payable	\$ 363,327	\$ -	\$ -	\$ 7,362	\$ 370,689
Contracts payable	-	-	32,824	-	32,824
Accrued wages and benefits	2,892,573	-	-	150,897	3,043,470
Pension obligation payable.	564,643	-	-	24,191	588,834
Intergovernmental payable.	154,480	-	-	6,623	161,103
Interfund loan payable	-	-	-	226,020	226,020
Deferred revenue.	898,197	236,592	-	314,085	1,448,874
Unearned revenue	6,987,151	1,913,689	-	103,578	9,004,418
Matured bonds payable	-	10,000	-	-	10,000
Matured interest payable	-	1,150	-	-	1,150
Total liabilities	<u>11,860,371</u>	<u>2,161,431</u>	<u>32,824</u>	<u>832,756</u>	<u>14,887,382</u>
Fund Balances:					
Reserved for encumbrances	563,347	-	5,890,279	86,521	6,540,147
Reserved for debt service.	-	2,626,414	-	-	2,626,414
Reserved for property tax unavailable for appropriation	3,198,844	885,606	-	47,790	4,132,240
Reserved for advances	15,000	-	-	-	15,000
Unreserved, undesignated, reported in:					
General fund	1,328,815	-	-	-	1,328,815
Special revenue funds.	-	-	-	326,003	326,003
Capital projects funds.	-	-	3,319,016	585,993	3,905,009
Total fund balances	<u>5,106,006</u>	<u>3,512,020</u>	<u>9,209,295</u>	<u>1,046,307</u>	<u>18,873,628</u>
Total liabilities and fund balances	<u>\$ 16,966,377</u>	<u>\$ 5,673,451</u>	<u>\$ 9,242,119</u>	<u>\$ 1,879,063</u>	<u>\$ 33,761,010</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances		\$ 18,873,628
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		65,368,726
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	\$ 1,110,289	
Intergovernmental revenue	299,477	
Other local revenues	2,319	
Interest revenue	36,789	
Total		1,448,874
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets, including internal balances are:		111,721
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(299,704)
Unamortized premiums on bond issuance is not recognized in the funds.		(5,951,909)
Unamortized bond issuance costs are not recognized in the funds.		955,606
Unamortized deferred charges on refundings are not recognized in the funds.		2,205,291
Long-term liabilities, including bonds, leases and notes payable are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(618,445)	
General obligation bonds payable	(62,753,238)	
Notes payable	(3,370,000)	
Lease purchase agreement	(1,241,298)	
Total		(67,982,981)
Net assets of governmental activities		\$ 14,729,252

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 13,563,398	\$ 2,880,431	\$ -	\$ 155,834	\$ 16,599,663
Tuition.	121,093	-	-	-	121,093
Transportation fees	58,978	-	-	-	58,978
Earnings on investments.	613,604	-	972,622	3,997	1,590,223
Classroom materials and fees	183,354	-	-	-	183,354
Extracurricular.	64,741	-	-	409,335	474,076
Other local revenues.	227,638	-	-	41,384	269,022
Intergovernmental - State	12,709,231	284,004	-	442,019	13,435,254
Intergovernmental - Federal.	-	-	-	1,086,967	1,086,967
Total revenue	<u>27,542,037</u>	<u>3,164,435</u>	<u>972,622</u>	<u>2,139,536</u>	<u>33,818,630</u>
Expenditures:					
Current:					
Instruction:					
Regular	12,324,016	-	398,841	144,094	12,866,951
Special.	2,913,835	-	-	467,912	3,381,747
Vocational.	737,758	-	-	75	737,833
Support Services:					
Pupil.	1,271,824	-	-	455,336	1,727,160
Instructional staff	1,197,102	-	-	319,708	1,516,810
Board of education	368,549	-	-	-	368,549
Administration.	2,437,391	-	-	59,738	2,497,129
Fiscal	620,248	39,787	-	15,481	675,516
Operations and maintenance.	2,952,490	-	65,544	36,696	3,054,730
Pupil transportation	2,040,337	-	318,370	-	2,358,707
Central.	176,882	-	-	15,000	191,882
Extracurricular activities.	522,590	-	-	436,075	958,665
Facilities acquisition and construction	-	-	17,953,884	950,512	18,904,396
Debt service:					
Principal retirement	8,702	4,093,000	-	-	4,101,702
Interest and fiscal charges	15,953	2,246,466	-	-	2,262,419
Bond issue costs	-	569,974	-	-	569,974
Total expenditures	<u>27,587,677</u>	<u>6,949,227</u>	<u>18,736,639</u>	<u>2,900,627</u>	<u>56,174,170</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(45,640)</u>	<u>(3,784,792)</u>	<u>(17,764,017)</u>	<u>(761,091)</u>	<u>(22,355,540)</u>
Other financing sources (uses):					
Transfers in	-	67,767	-	4,279	72,046
Transfers (out)	(83,186)	-	-	-	(83,186)
Sale of notes	-	3,370,000	-	-	3,370,000
Sale of refunding bonds.	-	43,099,983	-	-	43,099,983
Lease purchase agreement.	-	-	-	1,250,000	1,250,000
Premium on bonds and notes	-	3,054,300	-	-	3,054,300
Payment to refunding bond escrow agent . . .	-	(45,577,468)	-	-	(45,577,468)
Sale of capital assets	6,499	-	-	-	6,499
Total other financing sources (uses)	<u>(76,687)</u>	<u>4,014,582</u>	<u>-</u>	<u>1,254,279</u>	<u>5,192,174</u>
Net change in fund balances	(122,327)	229,790	(17,764,017)	493,188	(17,163,366)
Fund balances at beginning of year (restated)	<u>5,228,333</u>	<u>3,282,230</u>	<u>26,973,312</u>	<u>553,119</u>	<u>36,036,994</u>
Fund balances at end of year	<u>\$ 5,106,006</u>	<u>\$ 3,512,020</u>	<u>\$ 9,209,295</u>	<u>\$ 1,046,307</u>	<u>\$ 18,873,628</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds		\$ (17,163,366)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 18,845,087	
Current year depreciation	(869,364)	
Total		17,975,723
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal		
		(15,140)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	251,433	
Intergovernmental revenue	218,721	
Other local revenues	2,319	
Interest revenue	(5,509)	
Total		466,964
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets		
		47,236,702
Proceeds of bonds, notes and lease purchase agreement are recorded as revenue in the governmental funds, however, the proceeds increase long-term liabilities on the statement of net assets		
		(47,719,983)
Deferred charges are recognized as expenditures in the governmental funds, however they are amortized over the life of the issuance on the statement of activities		
		1,445,025
Premiums on debt issuances are recognized as revenues in the governmental funds however, they are amortized over the life of the issuance on the statement of activities		
		(1,909,326)
Bond and note issuance costs are recognized as expenditures in the governmental funds, however they are amortized over the life of the issuance on the statement of activities		
		422,443
Governmental funds report expenditures for interest when it is due. In the statement of activities interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		
Accrued interest	52,368	
Accreted interest on capital appreciation bonds	(494,083)	
Amortization of deferred charges	(77,221)	
Amortization of bond premium	242,879	
Amortization of bond issuance costs	(58,781)	
Total		(334,838)
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(36,742)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balances, is allocated among governmental activities.		
		(2,966)
Change in net assets of governmental activities		\$ 364,496

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Taxes	\$ 12,172,284	\$ 12,624,323	\$ 12,624,323	\$ -
Tuition	124,674	129,304	129,214	(90)
Transportation fees	66,505	68,975	68,975	-
Earnings on investments	539,044	559,062	574,225	15,163
Extracurricular	62,423	64,741	64,741	-
Classroom materials and fees	174,944	181,441	181,441	-
Other local revenues	99,621	103,321	219,261	115,940
Intergovernmental - State.	12,254,152	12,709,231	12,709,231	-
Total revenue.	<u>25,493,647</u>	<u>26,440,398</u>	<u>26,571,411</u>	<u>131,013</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,911,931	12,372,072	12,328,884	43,188
Special.	3,285,006	2,958,093	2,961,836	(3,743)
Vocational.	757,155	736,656	736,985	(329)
Support services:				
Pupil.	1,171,982	1,231,552	1,240,490	(8,938)
Instructional staff	1,169,667	1,144,024	1,159,803	(15,779)
Board of education	433,714	384,841	381,063	3,778
Administration.	2,442,967	2,428,227	2,410,819	17,408
Fiscal	662,232	641,345	634,083	7,262
Operations and maintenance.	3,182,506	3,243,310	3,195,065	48,245
Pupil transportation	2,392,125	2,020,675	2,024,930	(4,255)
Central.	176,809	167,641	168,949	(1,308)
Extracurricular activities.	541,720	510,272	509,200	1,072
Total expenditures	<u>29,127,814</u>	<u>27,838,708</u>	<u>27,752,107</u>	<u>86,601</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(3,634,167)</u>	<u>(1,398,310)</u>	<u>(1,180,696)</u>	<u>217,614</u>
Other financing sources (uses):				
Refund of prior year expenditure	1,999	2,073	2,073	-
Refund of prior year receipt.	(3,570)	(3,580)	(3,375)	205
Transfers in.	27,210	28,220	28,220	-
Transfers (out)	(102,767)	(118,551)	(111,406)	7,145
Advances in.	86,218	89,420	89,420	-
Advances (out)	-	(256,717)	(256,717)	-
Sale of capital assets	6,266	6,499	6,499	-
Contingencies.	(50,000)	(113,253)	-	113,253
Total other financing sources (uses)	<u>(34,644)</u>	<u>(365,889)</u>	<u>(245,286)</u>	<u>120,603</u>
Net change in fund balance	(3,668,811)	(1,764,199)	(1,425,982)	338,217
Fund balance at beginning of year (restated)	3,971,090	3,971,090	3,971,090	-
Prior year encumbrances appropriated . .	788,297	788,297	788,297	-
Fund balance at end of year	<u>\$ 1,090,576</u>	<u>\$ 2,995,188</u>	<u>\$ 3,333,405</u>	<u>\$ 338,217</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-Type Activities - Food Service	Governmental Activities - Internal Service Fund
	<u> </u>	<u> </u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents.	\$ 37,123	\$ 51,219
Cash with fiscal agent.	-	80,918
Receivables:		
Accounts.	1,811	-
Intergovernmental	27,601	-
Materials and supplies inventory	<u>7,610</u>	<u>-</u>
Total current assets	<u>74,145</u>	<u>132,137</u>
Noncurrent assets:		
Depreciable capital assets, net	<u>140,118</u>	<u>-</u>
Total assets	<u>214,263</u>	<u>132,137</u>
Liabilities:		
Accounts payable.	12,250	-
Accrued wages and benefits	13,207	-
Pension obligation payable.	4,607	-
Interfund loan payable	27,533	-
Intergovernmental payable	402	-
Advances from other funds	15,000	-
Claims payable	<u>-</u>	<u>20,410</u>
Total liabilities	<u>72,999</u>	<u>20,410</u>
Long-term liabilities:		
Compensated absences.	<u>5,986</u>	<u>-</u>
Total liabilities	<u>78,985</u>	<u>20,410</u>
Net assets:		
Invested in capital assets	140,118	-
Unrestricted (deficit)	<u>(4,840)</u>	<u>111,727</u>
Total net assets	<u>135,278</u>	<u>\$ 111,727</u>
Adjustment to reflect the consolidation of the internal service fund activity related to enterprise funds.	<u>6</u>	
Net assets of business-type activities.	<u>\$ 135,284</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Food Service	Governmental Activities - Internal Service Fund
Operating revenues:		
Sales/charges for services.	\$ 545,314	\$ 232,973
Other	11,661	-
Total operating revenues.	556,975	232,973
Operating expenses:		
Personal services	65,810	-
Purchased services.	719,535	-
Materials and supplies.	53,569	-
Depreciation.	12,434	-
Claims expense	-	232,374
Total operating expenses.	851,348	232,374
Operating income (loss)	(294,373)	599
Nonoperating revenues:		
Federal donated commodities.	39,740	-
Interest revenue	836	-
Operating grants.	231,172	-
Total nonoperating revenues.	271,748	-
Income (loss) before transfer	(22,625)	599
Transfer in	11,140	-
Change in net assets	(11,485)	599
Net assets at beginning of year (restated) .		111,128
Net assets at end of year.		\$ 111,727
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.	3,565	
Changes in net assets of business-type activities.	\$ (7,920)	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Food Service	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sales/charges for services	\$ 544,356	\$ 232,973
Cash received from other operations	10,808	-
Cash payments for personal services	(75,658)	-
Cash payments for purchased services.	(712,957)	-
Cash payments for materials and supplies.	(11,140)	-
Cash payments for other claims	-	(222,265)
	(244,591)	10,708
Net cash provided by (used in) operating activities.	(244,591)	10,708
Cash flows from noncapital financing activities:		
Cash received from operating grants	229,703	-
Cash received from transfers in	11,140	-
Cash received from interfund loans	27,533	-
	268,376	-
Net cash provided by noncapital financing activities	268,376	-
Cash flows from investing activities:		
Interest received	836	-
	836	-
Net cash provided by investing activities.	836	-
Net increase in cash and cash equivalents	24,621	10,708
Cash and cash equivalents at beginning of year (restated).	12,502	121,429
Cash and cash equivalents at end of year	\$ 37,123	\$ 132,137
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	\$ (294,373)	\$ 599
Adjustments:		
Depreciation	12,434	-
Federal donated commodities.	39,740	-
Changes in assets and liabilities:		
Decrease in materials and supplies inventory	2,689	-
Increase in accounts receivable.	(1,811)	-
Increase in accounts payable	6,578	-
Increase in accrued wages and benefits.	2,954	-
Decrease in pension obligation payable.	(12,285)	-
Decrease in intergovernmental payable	(39)	-
Decrease in compensated absences payable.	(478)	-
Increase in claims payable.	-	10,109
	-	10,109
Net cash provided by (used in) operating activities	\$ (244,591)	\$ 10,708

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 27,130
Cash with fiscal agent	
Receivables:	
Accounts	48
Total assets.	\$ 27,178
Liabilities:	
Accounts payable.	\$ 683
Due to students	26,495
Total liabilities	\$ 27,178

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Canal Winchester Local School District (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, 2007 was 3,191. The District employed 235 full-time certified employees and 125 full-time non-certified employees. The District is supervised by the Educational Service Center of Franklin County, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental type activity and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB Statements on Interpretations issued after November 30, 1989 to its business type activities and enterprise funds, subject to the same limitation. The District has elected not to apply these FASB Statements and Interpretations. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

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, 2100 City Gate Drive, 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.

The District is not involved in the budgeting or the management of Parent-Teacher Organization or booster clubs. The District is also not responsible for any debt and has no influence over these organizations or clubs.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and notes payable.

Building Fund - This fund is used to account for monies received and expended in connection with the renovation and construction of District buildings.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's major proprietary funds:

Enterprise Fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District has one enterprise fund to account for food service operations. The enterprise fund is considered a major fund.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service fund accounts for a dental self-insurance program.

FIDUCIARY FUNDS

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting on the fund financial statements. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

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

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants and student fees.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2007 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are Publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Franklin County Budget Commission for tax rate determination.
3. Prior to March 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

The Certificate may be further amended during the year if projected increases or decreases in revenues are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2007.

4. By October 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term inter-fund loans are not required to be budgeted since they represent a temporary cash flow resource, and are not intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
9. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either re-allocated or increase the original, appropriated amounts. The final budget figures, which appear in the statements of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
10. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Investments

During fiscal year 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

The District has invested funds in STAR Ohio during fiscal 2007. 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, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, debt service fund and building fund authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$613,604, which includes \$370,522 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity 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 that are not purchased from the pool are reported as investments.

An analysis of the District's investments at year-end is provided in Note 4.

G. Inventory

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

Inventory consists of supplies, donated food and purchased food.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset life are not. Interest incurred during the construction of capital assets is also capitalized.

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

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings	15 - 100 years	N/A
Furniture and equipment	5 - 20 years	8 - 20 years
Vehicles	10 years	10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables” and long-term interfund loans are classified as “advances to/from other funds.” These amounts are eliminated in the governmental type activities columns of the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least fifteen years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of 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 noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, debt service, property tax unavailable for appropriation and advances. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

M. Estimates

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenditures not meeting this definition are reported as non-operating.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. There were no capital contributions during fiscal year 2007.

Q. Interfund Activity

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

R. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2007.

T. Parochial Schools

World Harvest Church is within the District boundaries. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District is reflected in a special revenue fund for financial reporting purposes.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

A prior period adjustment is required to report the activity of the District's health, vision, and prescription drug coverage through the South Central Ohio Insurance Consortium (SCOIC) in accordance with a change in the SCOIC's bylaws that were effective July 1, 2002. The change in the bylaws resulted in the risk transferring to the pool for health, vision, and prescription drug benefits. Dental benefits are still considered self-insured since individual members of the SCOIC are still at risk for dental benefits. Therefore, activity reclassification is required to move the activity related to the health, vision, and prescription drug coverage from the Employee Benefits Self-Insurance fund to the general fund since the coverage is considered fully insured. In addition, the claims payable and cash with fiscal agent as previously reported related to this activity will be removed from the basic financial statements since the District does not retain risk for health, vision, and prescription drug benefits. This prior period adjustment had the following effect on the District's general fund, internal service fund, governmental activities, and business-type activities as previously reported:

	<u>General</u>	<u>Internal Service</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Fund balance/net assets as previously reported	\$ 4,810,079	\$ 854,717	\$ 14,685,608	\$ 147,687
Adjustments:				
Remove claims payable and cash with fiscal agent	-	(325,335)	(320,852)	(4,483)
Activity reclassification	<u>418,254</u>	<u>(418,254)</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>418,254</u>	<u>(743,589)</u>	<u>(320,852)</u>	<u>(4,483)</u>
Restated fund balance at July 1, 2006	<u>\$ 5,228,333</u>	<u>\$ 111,128</u>	<u>\$ 14,364,756</u>	<u>\$ 143,204</u>

The prior period adjustment also increased general fund unencumbered fund balance at July 1, 2006 by \$418,254 from \$3,552,836 to \$3,971,090. This adjustment represents the unencumbered cash balance of the health, vision, and prescription drug benefits that are not self-insured through the SCOIC.

B. Deficit Fund Balance

Fund balances at June 30, 2007 included the following individual fund deficit:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Title I	\$ 49,568

The general fund is liable for the deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance results from adjustments for accrued liabilities.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - DEPOSITS 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 that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Protection of 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 monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 resending the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2007 was \$80,918.

B. Cash in Segregated Accounts

At fiscal year-end, \$11,150 was on deposit in the District's debt service clearance account and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the balance sheet and statement of net assets as "Cash in Segregated Accounts".

C. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$412,739. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$735,842 of the District's bank balance of \$835,842 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
FNMA DN	\$ 1,460,492	\$ 1,460,492
FHLMC DN	2,434,266	2,434,266
FHLB	984,208	984,208
STAR Ohio	<u>12,115,346</u>	<u>12,115,346</u>
Total	<u>\$ 16,994,312</u>	<u>\$ 16,994,312</u>

The weighted average maturity of investments is .04 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA DN	\$ 1,460,492	8.59
FLMC DN	2,434,266	14.32
FHLB	984,208	5.79
STAR Ohio	<u>12,115,346</u>	<u>71.30</u>
Total	<u>\$ 16,994,312</u>	<u>100.00</u>

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 412,739
Cash with fiscal agent	80,918
Investments	<u>16,994,312</u>
Total	<u>\$ 17,487,969</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 17,423,716
Business type activities	37,123
Agency fund	<u>27,130</u>
Total	<u>\$ 17,487,969</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances consisted of the following at June 30, 2007, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governments	\$ 226,020
	Food Service	27,533

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the statement of net assets.

B. Long-term interfund balances, reported as advances to/from other funds on the fund financial statements, consisted of the following at June 30, 2007:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Food Service	\$ 15,000

The primary purpose of the long-term interfund balances is to cover costs in specific. These long-term interfund balances will be repaid once the anticipated revenues are received.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

Transfers from General Fund to:	
Debt Service Fund	\$ 67,767
Nonmajor Governmental Funds	4,279
Food Service Fund	11,140

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007, and will be 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Franklin County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007 was \$3,198,844 in the general fund, \$885,606 in the debt service fund and \$47,790 in the nonmajor governmental funds. These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$2,593,076 in the general fund, \$716,890 in the debt service fund and \$38,744 in the nonmajor governmental funds.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 364,693,210	90.89	\$ 380,944,740	93.08
Public utility personal	17,967,340	4.48	18,010,000	2.52
Tangible personal property	<u>18,575,380</u>	<u>4.63</u>	<u>10,326,909</u>	<u>4.40</u>
Total	<u>\$ 401,235,930</u>	<u>100.00</u>	<u>\$ 409,281,649</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 61.25		\$ 61.25	

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 7 - 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 and totaled \$3,225,064 in 2007.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest 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 year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities

Taxes	\$ 15,675,627
Accounts	32,243
Intergovernmental	399,935
Accrued interest	93,073

Business-Type Activities

Accounts	1,811
Intergovernmental	27,601

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows

	Balance at <u>06/30/06</u>	Additions	Disposals	Balance at <u>06/30/07</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,698,648	\$ -	\$ -	\$ 3,698,648
Construction in progress	<u>5,746,121</u>	<u>17,122,521</u>	<u>-</u>	<u>22,868,642</u>
Total capital assets, not being depreciated	<u>9,444,769</u>	<u>\$ 17,122,521</u>	<u>-</u>	<u>26,567,290</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	90,951	-	-	90,951
Buildings and improvements	39,991,444	1,033,734	-	41,025,178
Furniture and equipment	3,336,818	345,966	(38,870)	3,643,914
Vehicles	<u>2,012,033</u>	<u>342,866</u>	<u>-</u>	<u>2,354,899</u>
Total capital assets, being depreciated	<u>45,431,246</u>	<u>1,722,566</u>	<u>(38,870)</u>	<u>47,114,942</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(27,531)	(1,070)	-	(28,601)
Buildings	(4,910,118)	(433,896)	-	(5,344,014)
Furniture and equipment	(1,382,774)	(256,202)	23,730	(1,615,246)
Vehicles	<u>(1,147,449)</u>	<u>(178,196)</u>	<u>-</u>	<u>(1,325,645)</u>
Total accumulated depreciation	<u>(7,467,872)</u>	<u>(869,364)</u>	<u>23,730</u>	<u>(8,313,506)</u>
Governmental activities capital assets, net	<u>\$ 47,408,143</u>	<u>\$ 17,975,723</u>	<u>\$ (15,140)</u>	<u>\$ 65,368,726</u>
Business-Type Activities:				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 345,394	\$ -	\$ -	\$ 345,394
Total capital assets being depreciated	<u>345,394</u>	<u>-</u>	<u>-</u>	<u>345,394</u>
<i>Less accumulated depreciation:</i>				
Furniture and equipment	<u>(192,842)</u>	<u>(12,434)</u>	<u>-</u>	<u>(205,276)</u>
Total accumulated depreciation	<u>(192,842)</u>	<u>(12,434)</u>	<u>-</u>	<u>(205,276)</u>
Business-type activities capital assets, net	<u>\$ 152,552</u>	<u>\$ (12,434)</u>	<u>\$ -</u>	<u>\$ 140,118</u>

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 364,946
Special	40,674
Vocational	18,430
<u>Support Services:</u>	
Pupil	25,462
Instructional staff	33,487
Administration	71,409
Fiscal	5,208
Operations and maintenance	43,543
Pupil transportation	204,697
Central	1,214
Extracurricular activities	45,816
Operation of non-instructional services	<u>14,478</u>
Total depreciation expense	<u>\$ 869,364</u>

Depreciation expense was charged to business-type activities as follows:

Food service	<u>\$ 12,434</u>
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NOTE 10 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

During fiscal year 2007, the District entered into a lease-purchase agreement with All Points Public Funding, LLC. This lease meets the criteria of a lease-purchase as defined by FASB Statement No. 13, "Accounting for Leases", which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. This lease was used to construct school district facilities, improvements to facilities, and equip the facilities with furniture and equipment. At June 30, 2007, capital assets acquired by lease purchase have been capitalized under buildings and improvements in the amount of \$1,017,475. Accumulated depreciation as of June 30, 2007 was \$2,569 leaving a current book value of \$1,014,906. Lease-purchase payments have been reflected as debt service expenditures in the general fund. Principal and interest payments in fiscal year 2007 totaled \$8,702 and \$16,953, respectively.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2007.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE - (Continued)

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2008	\$ 98,620
2009	98,620
2010	98,620
2011	98,620
2012	98,620
2013 - 2017	493,100
2018 - 2022	493,100
2023 - 2027	<u>468,449</u>
Total minimum lease payments	1,947,749
Less: amount representing interest	<u>(706,451)</u>
Present value of minimum lease payments	<u>\$ 1,241,298</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Balance <u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/07</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
General obligation bonds:	\$ 62,974,172	\$ 43,594,066	\$ (43,815,000)	\$ 62,753,238	\$ 1,545,000
School bus notes	43,000	-	(43,000)	-	-
School facilities construction and improvement notes	3,370,000	3,370,000	(3,370,000)	3,370,000	3,370,000
Lease purchase agreement	-	1,250,000	(8,702)	1,241,298	38,031
Compensated absences	<u>581,703</u>	<u>229,416</u>	<u>(192,674)</u>	<u>618,445</u>	<u>197,816</u>
Total long-term obligations, governmental activities	<u>66,968,875</u>	<u>\$ 48,443,482</u>	<u>\$ (47,429,376)</u>	<u>67,982,981</u>	<u>\$ 5,150,847</u>
Less: Unamortized deferred charge on refunding	(837,487)			(2,205,291)	
Add: Unamortized premium on refunding	<u>4,285,462</u>			<u>5,951,909</u>	
	<u>\$ 70,416,850</u>			<u>\$ 71,729,599</u>	

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>06/30/07</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Business-Type Activities:					
Compensated absences	\$ 6,464	\$ -	\$ (478)	\$ 5,986	-
Total business-type activities long-term liabilities	<u>\$ 6,464</u>	<u>\$ -</u>	<u>\$ (478)</u>	<u>\$ 5,986</u>	<u>\$ -</u>

B. General Obligation Bonds

The District has eight outstanding general obligation bond issues. These bonds were issued for general governmental activities, specifically; construction, and/or renovation of school buildings, and the advance refunding of previous issues. These general obligation bonds are direct obligations of the district for which its full faith, credit, and resources are pledged and payable from taxes levied on all taxable property in the school district. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to these bonds are recorded as expenditures in the District's debt service fund. The following is a summary of the District's general obligation bonds outstanding at June 30, 2007:

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Balance at</u> <u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>06/30/07</u>
General obligation bonds:				
Series 1993 refunding - capital appreciation bonds	\$ 55,685	\$ -	\$ (31,147)	\$ 24,538
Series 1993 refunding - accreted interest	<u>508,532</u>	<u>95,783</u>	<u>(308,853)</u>	<u>295,462</u>
	<u>564,217</u>	<u>95,783</u>	<u>(340,000)</u>	<u>320,000</u>
Series 1998 - current interest bonds	<u>9,865,000</u>	<u>-</u>	<u>(7,215,000)</u>	<u>2,650,000</u>
Series 1998 - current interest building acquisition bonds	<u>45,000</u>	<u>-</u>	<u>(20,000)</u>	<u>25,000</u>
Series 2000 - current interest bonds	<u>875,000</u>	<u>-</u>	<u>(5,000)</u>	<u>870,000</u>
Series 2001 - current interest bonds	7,940,000	-	(7,420,000)	520,000
Series 2001 - capital appreciation bonds	338,363	-	-	338,363
Series 2001 - accreted interest	<u>459,797</u>	<u>87,560</u>	<u>-</u>	<u>547,357</u>
	<u>8,738,160</u>	<u>87,560</u>	<u>(7,420,000)</u>	<u>1,405,720</u>
Series 2005 - refunding current interest bonds	4,280,000	-	(65,000)	4,215,000
Series 2005 - refunding capital appreciation bonds	255,000	-	-	255,000
Series 2005 - accreted interest	<u>29,356</u>	<u>27,772</u>	<u>-</u>	<u>57,128</u>
	<u>4,564,356</u>	<u>27,772</u>	<u>(65,000)</u>	<u>4,527,128</u>
Series 2005 - refunding and school facilities construction current interest bonds	34,430,000	-	(28,750,000)	5,680,000
Series 2005 - capital appreciation bonds	3,600,000	-	-	3,600,000
Series 2005 - accreted interest	<u>292,439</u>	<u>282,581</u>	<u>-</u>	<u>575,020</u>
	<u>38,322,439</u>	<u>282,581</u>	<u>(28,750,000)</u>	<u>9,855,020</u>
Series 2007 - refunding current interest bonds	-	43,095,000	-	43,095,000
Series 2007 - refunding capital appreciation bonds	-	4,983	-	4,983
Series 2007 - accreted interest	<u>-</u>	<u>387</u>	<u>-</u>	<u>387</u>
	<u>-</u>	<u>43,100,370</u>	<u>-</u>	<u>43,100,370</u>
Total general obligation bonds payable	<u>\$ 62,974,172</u>	<u>\$ 43,594,066</u>	<u>\$(43,815,000)</u>	<u>\$ 62,753,238</u>

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Series 1993 Refunding General Obligation Bonds

On June 23, 1993, the District issued general obligation bonds to advance refund the callable portion of the previously issued current interest general obligation bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. On April 14, 2005, the District issued \$1,610,000 (Series 1995-A Refunding Bonds) to advance refund the callable portion of the current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded current interest bonds at June 30, 2007, is \$1,610,000.

The Series 1993 refunding issue outstanding at June 30, 2007 is comprised of capital appreciation bonds, par value \$24,538. The capital appreciation bonds mature December 1, 2007 (effective interest 19.435%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$320,000. Total accreted interest of \$295,462 has been included in the statement of net assets.

Series 1998-A General Obligation Bonds

On May 15, 1998, the District issued current interest general obligation bonds to finance the construction and equipping of a modular facility on the high school site for administrative services. The issue is made up of current interest bonds, bear an interest rate of 5.550% and mature on June 1, 2008. This issue is funded through revenue generated from .01 percent of the inside millage. The bonds have an outstanding balance of \$25,000 at June 30, 2007.

Series 1998-B General Obligation Bonds

On April 1, 1998, the District issued current interest general obligation bonds to finance the construction and equipping of a new elementary school and improving the site thereof. The issue is made up of current interest bonds, bear an interest rate of 5.300% and mature on December 1, 2025. On April 14, 2005, the District issued \$3,055,000 (Series 1995A Refunding Bonds) to advance refund the callable portion of the bonds. On March 27, 2007, the District advance refunded an additional \$7,150,000 (Series 2007 Refunding Bonds) of the callable portion of the bonds. At June 30, 2007, the balance of the Series 1998-B General Obligation Bonds is \$2,650,000. The balance of the refunded bonds at June 30, 2007, is \$10,205,000. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

Series 2000 General Obligation Bonds

On May 9, 2000, the District issued current interest general obligation bonds to finance the construction of a new intermediate building, an addition to the high school and renovations to the current intermediate building. The issue is made up of current interest bonds, bear an interest rate of 6.375% and mature on June 1, 2028. The bonds have an outstanding balance of \$870,000 at June 30, 2007.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Series 2001 General Obligation Bonds

On November 11, 2001, the District issued general obligation bonds to provide funds for the construction of a new intermediate building, an addition to the high school and renovations to the current intermediate building. On May 19, 2005, the District issued \$5,710,000 (Series 1995-B Refunding Bonds) to advance refund a portion of the callable portion of the current interest bonds. On March 27, 2007, the District advance refunded an additional \$7,310,000 (Series 2007 Refunding Bonds) of the callable portion of the bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded bonds at June 30, 2007, is \$13,020,000.

At June 30, 2007, the non-refunded portion of this issue is comprised of both current interest bonds, par value \$520,000, and capital appreciation bonds, par value \$338,363. The interest rate on the current interest bonds is 5.010%. The capital appreciation bonds mature on December 1, 2013 (effective interest 10.646%), December 1, 2014 (effective interest 10.847%), December 1, 2015 (effective interest 11.025%), December 1, 2016 (effective interest 11.185%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,070,000. A total of \$547,357 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2007.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2028.

Series 2005-A Refunding General Obligation Bonds

On April 14, 2005, the District issued general obligation bonds to advance refund \$1,610,000 of the current interest Series 1993 Refunding Bonds and \$3,055,000 of the current interest Series 1998-B General Obligation Bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$4,215,000 at June 30, 2007, and capital appreciation bonds, par value \$255,000. The interest rate on the current interest bonds ranges from 3.00-5.00%. The capital appreciation bonds mature December 1, 2013 (effective interest 32.820%) and December 1, 2019 (effective interest 8.214%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$825,000. Total accreted interest of \$57,128 has been included in the statement of net assets.

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2016.

The reacquisition price exceeded the net carrying amount of the old debt by \$297,874. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Series 2005-B School Facilities Construction and Advance Refunding Bonds

On May 1, 2005, the District issued general obligation bonds to advance refund the callable portion of the current interest Series 2001 General Obligation Bonds (principal \$5,710,000; interest rate 5.010%) and to finance the construction and equipping of new school facilities, constructing additions and renovations of existing school facilities, and acquiring land with the \$32,500,000 new money issue. The issuance proceeds of \$5,710,000 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

On March 27, 2007, the District advance refunded \$28,675,000 (Series 2007 Refunding Bonds) of the callable portion of the bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded bonds at June 30, 2007, is \$28,675,000.

At June 30, 2007, the non-refunded portion of the debt issue is comprised of both current interest bonds, par value \$5,680,000, and capital appreciation bonds, par value \$3,600,000. The interest rate on the current interest bonds ranges from 3.00%-5.00%. The capital appreciation bonds mature December 1, 2021 (effective interest 11.049%), December 1, 2029 (effective interest 6.942%), December 1, 2030 (effective interest 6.946%), December 1, 2031 (effective interest 6.939%), December 1, 2032 (effective interest 6.950%), December 1, 2033 (effective interest 6.915%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$21,250,000. Total accreted interest of \$575,020 has been included in the statement of activities.

The reacquisition price exceeded the net carrying amount of the old debt by \$604,734. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Series 2007 Advance Refunding Bonds

On March 27, 2007, the District issued general obligation bonds to advance refund the callable portion of the current interest Series 1998-B General Obligation Bonds (principal \$7,150,000), Series 2001 General Obligation Bonds (principal \$7,310,000), and Series 2005-B School Facilities Construction and Advance Refunding (\$28,675,000). The issuance proceeds of \$43,099,983 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The debt issue is comprised of both current interest bonds, par value \$43,095,000, and a capital appreciation bond, par value \$4,983. The interest rate on the current interest bonds ranges from 4.00%-5.25%. The capital appreciation bond matures December 1, 2022 (effective interest 46.036%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$3,300,000. Total accreted interest of \$387 has been included in the statement of activities.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$1,445,025. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The advance refunding was undertaken to reduce total debt service payments over the next twenty one years by \$1,938,721 and resulted in an economic gain of \$1,313,931.

The following is a summary of the future debt service requirements to maturity for the general obligation bonds.

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,225,000	\$ 3,270,512	\$ 4,495,512	\$ 24,538	\$ 295,462	320,000
2009	870,000	3,227,543	4,097,543	-	-	-
2010	915,000	3,196,183	4,111,183	-	-	-
2011	1,020,000	3,160,248	4,180,248	-	-	-
2012	1,200,000	2,774,160	3,974,160	-	-	-
2013 - 2017	6,710,000	11,209,212	17,919,212	593,363	2,301,637	2,895,000
2018 - 2022	14,710,000	8,858,499	23,568,499	260,000	1,215,000	1,475,000
2023 - 2027	21,470,000	4,791,957	26,261,957	4,983	3,295,017	3,300,000
2028 - 2032	8,935,000	452,828	9,387,828	2,135,000	9,730,000	11,865,000
2033 - 2034	-	-	-	1,205,000	6,705,000	7,910,000
Total	<u>\$ 57,055,000</u>	<u>\$ 40,941,142</u>	<u>\$ 97,996,142</u>	<u>\$ 4,222,884</u>	<u>\$ 23,542,116</u>	<u>\$ 27,765,000</u>

C. Other Debt Obligations

Lease Purchase Agreement

Refer to Note 10 to the notes to the basic financial statements for detail on the lease purchase agreement.

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 matured in 2007, with an interest rate of 5.38%.

School Facilities Construction and Improvement Notes

On November 28, 2005, the District issued \$3,370,000 in notes payable to finance various District building improvements. The notes matured November 28, 2006 with an interest rate of 4.35%.

On November 27, 2006, the District issued \$3,370,000 in notes payable to finance various District building improvements. The notes mature November 27, 2007 and bear an interest rate of 4.50%.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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.

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The Ohio Revised Code further provides that when a board of education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that district a "special needs" district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation. The Canal Winchester Local School District was determined to be a "special needs" district by the State Superintendent on October 14, 2004.

NOTE 12 - 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:

<u>Eleven Month Administrators</u>		<u>Twelve Month Administrators</u>	
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.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 12 - COMPENSATED ABSENCES - (Continued)

The classified personnel accumulate vacation based on the following schedule:

Years of 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.

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.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

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 the employees and natural disasters. During fiscal year 2007, the District has contracted with commercial carriers for property and general liability insurance.

The District maintains replacement cost insurance on buildings and contents. 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.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - RISK MANAGEMENT - (Continued)

B. Worker's Compensation

For fiscal year 2007 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. 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 Plan. Participation in the Plan is limited to school districts that can meet the Plans selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

C. Health Insurance

The District obtains health, vision, prescription drug, and dental insurance through the South Central Ohio Insurance Consortium (SCOIC). Effective July 1, 2002, a change in bylaws resulted in the risk of transferring to the pool for health, vision, and prescription drug benefits. Therefore the members are only responsible for paying their assessed premiums for these benefits. Members are at risk for dental benefits.

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 dental 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, food service 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.

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 \$20,410, at June 30, 2007.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - RISK MANAGEMENT - (Continued)

A summary of changes in self-insurance claims for the year ended June 30, 2007:

	<u>2007</u>	<u>2006</u>
Claim Liabilities at Beginning of Year	\$ 10,301	\$ 9,529
Incurred Claims	232,374	207,640
Claims Paid	<u>(222,265)</u>	<u>(206,868)</u>
 Claim Liabilities at End of year	 <u>\$ 20,410</u>	 <u>\$ 10,301</u>

SCOIC currently includes eleven member school districts and governmental entities. 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.

A third party administrator services all health/medical claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$50,000 and \$3,000,000 lifetime maximum, per employee consortium wide.

NOTE 14 - 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS’ website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$366,028, \$313,304, and \$295,728, respectively; 52.63% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$173,391 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 - PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,647,417, \$1,447,087, and \$1,349,240, respectively; 83.23% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$276,347 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$40,481 made by the District and \$69,900 made by plan members.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 - PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified 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 Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$126,724 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$176,265 to fund health care benefits, including the surcharge.

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 the projected claims less premiums contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ (1,425,982)
Net adjustment for revenue accruals	970,626
Net adjustment for expenditure accruals	(608,116)
Net adjustment for other sources/uses	168,599
Adjustment for encumbrances	<u>772,546</u>
GAAP basis	<u>\$ (122,327)</u>

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local 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 effect on the financial position of the District at June 30, 2007.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 18 - CONTINGENCIES - (Continued)

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$23,283 per year. A portion of the refund may be recovered from additional state entitlement payments.

The District is involved in no other pending litigation that would have a material effect on the financial condition of the District.

NOTE 19 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Maintenance</u>
Set-aside cash balance as of June 30, 2006	\$ (1,746,147)	\$ (32,078,807)
Current year set-aside requirement	450,840	450,840
Qualifying disbursements	<u>(855,940)</u>	<u>(468,581)</u>
Total	<u>\$ (2,151,247)</u>	<u>\$ (32,096,548)</u>
Balance carried forward to FY 2008	<u>\$ (2,151,247)</u>	<u>\$ (32,096,548)</u>

These extra amounts are being carried forward to fiscal year 2008 for the Textbook and Capital maintenance set-asides.

SUPPLEMENTARY DATA

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
(B) Food Donation	10.550	N/A	\$ -	\$ 38,715	\$ -	\$ 38,715
Total Food Donation			-	38,715	-	38,715
(C) National School Lunch Program	10.555	046946-LLP4-2006	56,863		56,863	
(C) National School Lunch Program	10.555	046946-LLP4-2007	164,863		164,863	
Total National School Lunch Program			221,726		221,726	
Total U.S. Department of Agriculture			221,726	38,715	221,726	38,715
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	84.010	046946-C1S1-2006	-		42,605	
Title I Grants to Local Educational Agencies	84.010	046946-C1S1-2007	246,654		235,733	
Total Title I Grants to Local Educational Agencies			246,654		278,338	
Special Education Grants to States	84.027	046946-6BSF-2006	-		33,812	
Special Education Grants to States	84.027	046946-6BSF-2007	493,730		439,635	
Total Special Education Grants to States			493,730		473,447	
Safe and Drug-Free Schools and Communities State Grants	84.186	046946-DRS1-2007	10,205		9,539	
Total Safe and Drug-Free Schools and Communities State Grants			10,205		9,539	
State Grants for Innovative Programs	84.298	046946-C2S1-2007	5,155		4,587	
Total State Grants for Innovative Programs			5,155		4,587	
(D) Education Technology State Grants	84.318	046946-TJS1-2006	(271)		383	
Education Technology State Grants	84.318	046946-TJS1-2007	5,870		1,731	
Total Education Technology State Grants			5,599		2,114	
Comprehensive School Reform Demonstration	84.332	046946-RFCC-2006	8,098		28,257	
Comprehensive School Reform Demonstration	84.332	046946-RFCC-2007	155,000		172,920	
Total Comprehensive School Reform Demonstration			163,098		201,177	
English Language Acquisition Grants	84.365	046946-TJS2-2007	3,960		3,571	
Total English Language Acquisition Grants			3,960		3,571	
Improving Teacher Quality State Grants	84.367	046946-TRS1-2006	3,458		3,119	
Improving Teacher Quality State Grants	84.367	046946-TRS1-2007	57,670		51,727	
Total Improving Teacher Quality State Grants			61,128		54,846	
Total U.S. Department of Education			989,529		1,027,619	
Total Federal Financial Assistance			\$ 1,211,255	\$ 38,715	\$ 1,249,345	\$ 38,715

(A) This schedule was prepared on the cash basis of accounting.

(B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.

(C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.

(D) Amount of \$271 transferred to next grant year based on Ohio Department of Education administrative action.



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

Board of Education
Canal Winchester Local School District
290 Washington Street
Canal Winchester, Ohio 43110

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Canal Winchester Local School District, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Canal Winchester Local School District's basic financial statements and have issued our report thereon dated December 7, 2007. As disclosed in Note 3, Canal Winchester Local School District has restated its net assets and fund balances at July 1, 2006 to properly account for its insurance activities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

Board of Education
Canal Winchester Local School District

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Canal Winchester Local School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Canal Winchester Local School District's financial statements that is more than inconsequential will not be prevented or detected by Canal Winchester Local School District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as 2007-CWLSD-001 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we consider item 2007-CWLSD-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Canal Winchester Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Canal Winchester Local School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management and Board of Education of Canal Winchester Local School District 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.



Julian & Grube, Inc.
December 7, 2007



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Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Education
Canal Winchester Local School District
290 Washington Street
Canal Winchester, Ohio 43110

Compliance

We have audited the compliance of Canal Winchester Local School District, Franklin County, Ohio, 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 program for the fiscal year ended June 30, 2007. Canal Winchester Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Canal Winchester Local School District's management. Our responsibility is to express an opinion on 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, *Audit 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 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 on Canal Winchester Local School District's compliance with those requirements.

In our opinion, Canal Winchester Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

Board of Education
Canal Winchester Local School District

Internal Control Over Compliance

The management of 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 Canal Winchester Local School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Canal Winchester Local School District's internal control over compliance.

A control deficiency in Canal Winchester Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Canal Winchester Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Canal Winchester Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Canal Winchester Local School District's internal control.

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

This report is intended for the information and use of management and Board of Education of Canal Winchester Local School District 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.



Julian & Grube, Inc.
December 7, 2007

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education: Grants to States, CFDA #84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2007-CWLSD-001

Significant Deficiency/Material Weakness

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This standard became effective for audits of financial statements for periods ending on or after December 15, 2006.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 112 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One of those deficiencies, which is applicable to the District is included in the SAS related to audit adjustments and it states the following:

The District presented its health, vision, and prescription drug coverage as a self-insurance fund in their financial statements prior to July 1, 2007. Amounts reported at June 30, 2006 were restated to properly record this activity in their respective funds versus a self-insurance fund due to the nature of the consortium.

These changes in presentation resulted in a prior period adjustment to the following funds: General (\$418,254), Internal Service (\$743,589), Governmental Activities (\$320,852) and Business-Type Activities (\$4,483).

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason.

In either case, it is important that control procedures are developed to enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In addition, management should not rely on its auditor to perform this control procedure as auditors must remain independent.

We recommend the District implement control procedures related to financial reporting that enables management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Client Response: Management concurs with the restatement and will attempt to record and identify transactions properly with accounting principles generally accepted in the United States of America.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Mary Taylor, CPA
Auditor of State

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
MARCH 6, 2008**