

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011***

**JOYCE BOYER, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Canal Winchester Local School District, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 23, 2011

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Canal Winchester Local School District, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Canal Winchester Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 reasonably assure 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Canal Winchester Local School District, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows, 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.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2011 on our consideration of the Canal Winchester Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Canal Winchester Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* provides additional analysis and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.  
November 15, 2011



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 2011 are as follows:

- In total, net assets increased \$2,806,894. Net assets of governmental activities increased \$2,683,948, which represents a 16.12% increase from 2010. Net assets of business-type activities increased \$122,946 or 61.34% from 2010.
- General revenues accounted for \$37,556,892 in revenue or 86.36% of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,932,920 or 13.64% of total governmental activities revenues of \$43,489,812.
- The District had \$40,805,864 in expenses related to governmental activities, \$5,932,920 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 \$37,556,892 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$35,240,397 in revenues and other financing sources and \$33,796,702 in expenditures. The fund balance of the general fund increased \$1,443,695 from a restated balance of \$5,785,294 to \$7,228,989.
- The debt service fund had \$6,500,316 in revenues and other financing sources and \$6,511,976 in expenditures. The fund balance of the debt service fund decreased \$11,660 from \$2,436,983 to \$2,425,323.
- Net assets for the District's business-type activities increased \$122,946 or 61.34%. The business-type activities net assets increased from \$200,421 to \$323,367.

**Using the 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.

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 two major governmental funds: the general fund and debt service fund. The general fund is by far the most significant fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 2011?" The statement of net assets and 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 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 13-14 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major governmental funds and 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.

*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 statement of activities) and governmental funds is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

***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 20-22 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 23. 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 24-60 of this report.

**The District as a Whole**

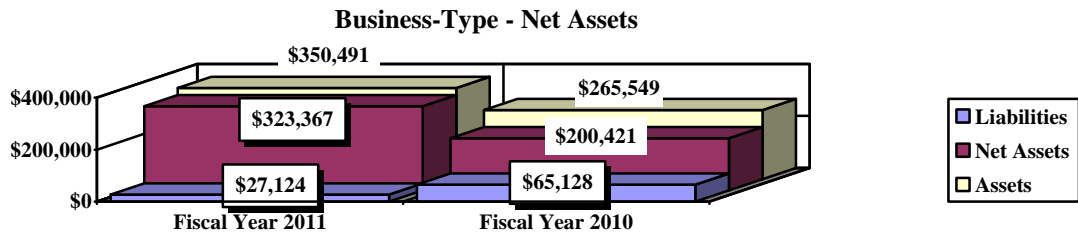
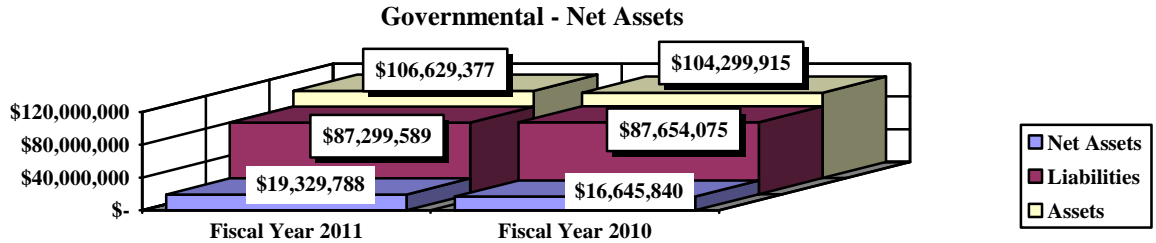
The table below provides a summary of the District's net assets for fiscal years 2011 and 2010.

	<b>Net Assets</b>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>						
Current assets	\$ 36,257,436	\$ 33,067,239	\$ 265,602	\$ 162,734	\$ 36,523,038	\$ 33,229,973
Capital assets, net	<u>70,371,941</u>	<u>71,232,676</u>	<u>84,889</u>	<u>102,815</u>	<u>70,456,830</u>	<u>71,335,491</u>
Total assets	<u>106,629,377</u>	<u>104,299,915</u>	<u>350,491</u>	<u>265,549</u>	<u>106,979,868</u>	<u>104,565,464</u>
<b><u>Liabilities</u></b>						
Current liabilities	19,475,266	18,915,254	25,792	63,804	19,501,058	18,979,058
Long-term liabilities	<u>67,824,323</u>	<u>68,738,821</u>	<u>1,332</u>	<u>1,324</u>	<u>67,825,655</u>	<u>68,740,145</u>
Total liabilities	<u>87,299,589</u>	<u>87,654,075</u>	<u>27,124</u>	<u>65,128</u>	<u>87,326,713</u>	<u>87,719,203</u>
<b><u>Net Assets</u></b>						
Invested in capital assets, net of related debt	6,214,038	5,650,573	84,889	102,815	6,298,927	5,753,388
Restricted	4,511,058	4,434,011	-	-	4,511,058	4,434,011
Unrestricted	<u>8,604,692</u>	<u>6,561,256</u>	<u>238,478</u>	<u>97,606</u>	<u>8,843,170</u>	<u>6,658,862</u>
Total net assets	<u>\$ 19,329,788</u>	<u>\$ 16,645,840</u>	<u>\$ 323,367</u>	<u>\$ 200,421</u>	<u>\$ 19,653,155</u>	<u>\$ 16,846,261</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the District's governmental and business-type assets, liabilities and net assets for fiscal years 2011 and 2010.



The table below shows the changes in net assets for fiscal years 2011 and 2010.

	<b>Change in Net Assets</b>					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 1,060,918	\$ 943,907	\$ 725,065	\$ 742,323	\$ 1,785,983	\$ 1,686,230
Operating grants and contributions	4,872,002	3,151,945	540,673	528,128	5,412,675	3,680,073
General revenues:						
Property taxes	18,751,050	18,143,820	-	-	18,751,050	18,143,820
Income taxes	3,911,298	2,968,716	-	-	3,911,298	2,968,716
Revenue in lieu of taxes	454,264	-	-	-	454,264	-
Grants and entitlements	14,318,122	15,169,153	-	-	14,318,122	15,169,153
Investment earnings	28,396	49,898	263	129	28,659	50,027
Miscellaneous	93,762	260,579	-	-	93,762	260,579
<b>Total revenues</b>	<b>43,489,812</b>	<b>40,688,018</b>	<b>1,266,001</b>	<b>1,270,580</b>	<b>44,755,813</b>	<b>41,958,598</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Expenses</b>						
Program expenses:						
Instruction:						
Regular	\$ 16,452,249	\$ 15,278,518	\$ -	\$ -	\$ 16,452,249	\$ 15,278,518
Special	4,023,824	3,800,772	-	-	4,023,824	3,800,772
Vocational	475,595	626,461	-	-	475,595	626,461
Other	410,222	1,064	-	-	410,222	1,064
Support services:						
Pupil	2,156,770	2,051,878	-	-	2,156,770	2,051,878
Instructional staff	1,766,319	1,800,144	-	-	1,766,319	1,800,144
Board of education	170,357	368,594	-	-	170,357	368,594
Administration	2,902,533	2,716,355	-	-	2,902,533	2,716,355
Fiscal	933,943	795,708	-	-	933,943	795,708
Operations and maintenance	4,439,809	3,932,395	-	-	4,439,809	3,932,395
Pupil transportation	2,643,485	2,406,878	-	-	2,643,485	2,406,878
Central	366,207	214,195	-	-	366,207	214,195
Operation of non-instructional services	18,912	18,912	-	-	18,912	18,912
Extracurricular activities	1,009,434	929,787	-	-	1,009,434	929,787
Interest and fiscal charges	3,036,205	3,045,818	-	-	3,036,205	3,045,818
Food service	-	-	1,143,055	1,202,060	1,143,055	1,202,060
Total expenses	<u>40,805,864</u>	<u>37,987,479</u>	<u>1,143,055</u>	<u>1,202,060</u>	<u>41,948,919</u>	<u>39,189,539</u>
Changes in net assets	2,683,948	2,700,539	122,946	68,520	2,806,894	2,769,059
Net assets at beginning of year	<u>16,645,840</u>	<u>13,945,301</u>	<u>200,421</u>	<u>131,901</u>	<u>16,846,261</u>	<u>14,077,202</u>
Net assets at end of year	<u>\$ 19,329,788</u>	<u>\$ 16,645,840</u>	<u>\$ 323,367</u>	<u>\$ 200,421</u>	<u>\$ 19,653,155</u>	<u>\$ 16,846,261</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$2,683,948. Total governmental expenses of \$40,805,864 were offset by program revenues of \$5,932,920 and general revenues of \$37,556,892. Program revenues supported 14.54% of the total governmental expenses.

In the area of program revenues, the significant increase was in operating grants and contributions which increased \$1,720,057. This increase is attributable primarily to \$1,551,678 in funding through the State of Ohio for Pathway for Student Success (PASS) funding which offsets special education costs. PASS funding has been reported as program revenue in fiscal year 2011 versus general revenue in fiscal year 2010.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, payments in lieu of taxes and unrestricted grants and entitlements. These revenue sources represent 86.08% of total governmental revenue. Real estate property is reappraised every six years.

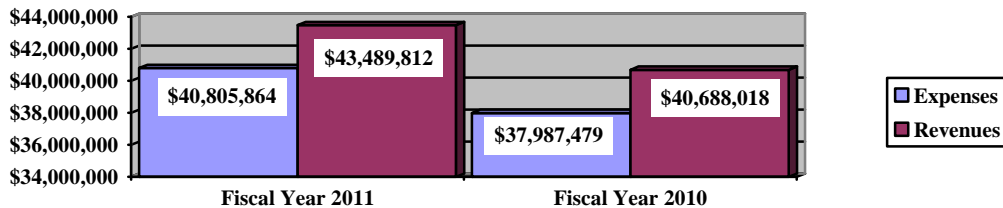
The largest expense of the District is for instructional programs. Instruction expenses totaled \$21,361,890 or 52.35% of total governmental expenses for fiscal year 2011.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

**Governmental Activities - Revenues and Expenses**



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 2011 and 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

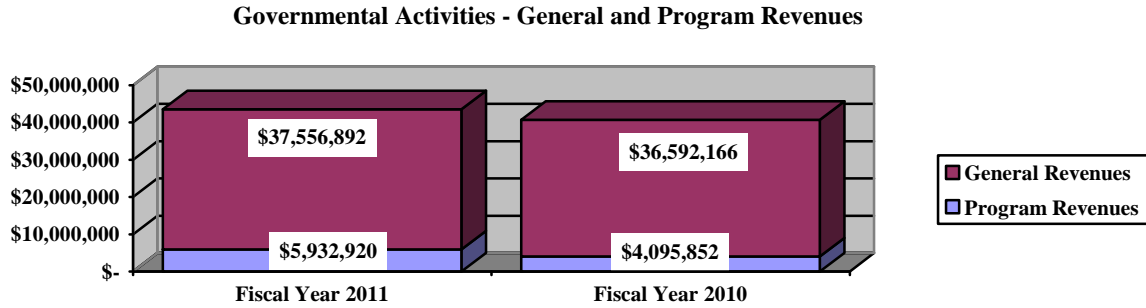
	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program expenses:				
Instruction:				
Regular	\$ 16,452,249	\$ 14,675,570	\$ 15,278,518	\$ 14,334,790
Special	4,023,824	2,216,093	3,800,772	2,635,536
Vocational	475,595	289,294	626,461	441,547
Other	410,222	227,766	1,064	1,064
Support services:				
Pupil	2,156,770	1,961,554	2,051,878	1,804,018
Instructional staff	1,766,319	1,403,477	1,800,144	1,443,772
Board of Education	170,357	170,357	368,594	368,594
Administration	2,902,533	2,249,854	2,716,355	2,190,796
Fiscal	933,943	921,629	795,708	765,391
Operations and maintenance	4,439,809	4,372,186	3,932,395	3,863,990
Pupil transportation	2,643,485	2,558,421	2,406,878	2,406,878
Central	366,207	352,107	214,195	205,050
Operation of non-instructional services	18,912	18,912	18,912	18,912
Extracurricular activities	1,009,434	419,519	929,787	365,471
Interest and fiscal charges	3,036,205	3,036,205	3,045,818	3,045,818
<b>Total expenses</b>	<b>\$ 40,805,864</b>	<b>\$ 34,872,944</b>	<b>\$ 37,987,479</b>	<b>\$ 33,891,627</b>

The dependence upon tax revenues during fiscal year 2011 for governmental activities is apparent, as 81.49% of 2011 instructional activities are supported through taxes and other general revenues. The District's taxpayers and unrestricted grants and entitlements from the State, are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.



**Business-Type Activities**

Business-type activities include food service operations. This program had revenues of \$1,266,001 and expenses of \$1,143,055 for fiscal year 2011. Business-type activities increased \$122,946 in fiscal year 2011. The District's business-type activities do not receive support from tax revenues. The activities of the enterprise fund are presented on pages 21-23.

**The District's Governmental Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$11,079,214, which is above last year's total of \$10,007,914. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balances at June 30, 2010 as described in Note 3.B.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	Increase/ <u>(Decrease)</u>
General	\$ 7,228,989	\$ 5,785,294	\$ 1,443,695
Debt Service	2,425,323	2,436,983	(11,660)
Other Governmental	<u>1,424,902</u>	<u>1,785,637</u>	<u>(360,735)</u>
Total	<u>\$ 11,079,214</u>	<u>\$ 10,007,914</u>	<u>\$ 1,071,300</u>

**General Fund**

The District's general fund balance increased \$1,443,695 during 2011. The following table assists in illustrating the revenues of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 18,527,676	\$ 17,393,761	6.52 %
Intergovernmental	15,248,273	15,225,032	0.15 %
Other revenues	<u>1,340,258</u>	<u>1,005,303</u>	33.32 %
 Total	 <u>\$ 35,116,207</u>	 <u>\$ 33,624,096</u>	 4.44 %

Tax revenues increased as a result of a two year emergency levy passed in the May 2009 election. Collections began in calendar year 2010, or the second half of fiscal year 2010, and will continue through calendar year 2012, or the first half of fiscal year 2012. The District expects to collect an additional \$6,439,000 per calendar year. The increase in other revenues was due to the collection of payments in lieu of taxes.

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

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>			
Instruction	\$ 19,381,003	\$ 17,993,155	7.71 %
Support services	13,483,680	12,578,051	7.20 %
Extracurricular activities	663,112	655,514	1.16 %
Capital outlay	91,000	-	100.00 %
Debt service	<u>177,907</u>	<u>160,517</u>	10.83 %
 Total	 <u>\$ 33,796,702</u>	 <u>\$ 31,387,237</u>	 7.68 %

The increase in capital outlay was a result of the District entering into a new capital lease agreement during the current year. The increase in instruction and support services was primarily related to an ordinary increase in wages and benefits. The increase in debt service was due to payments on the new lease.

***Debt Service Fund***

The debt service fund had \$6,500,316 in revenues and other financing sources and \$6,511,976 in expenditures. The fund balance of the debt service fund decreased from \$2,436,983 to \$2,425,323.

***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 2011, 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 \$34,418,711. Final budgeted revenues of \$35,106,765 were \$119, lower than actual revenues and other financing sources of \$35,106,884.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

General fund original appropriations (appropriated expenditures plus other financing uses) were \$35,807,698 and final appropriations were \$36,306,879. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$34,745,365, which was \$1,561,514 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the District had \$70,456,830 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. The following table shows fiscal year 2011 balances compared to 2010:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 3,698,648	\$ 3,698,648	\$ -	\$ -	\$ 3,698,648	\$ 3,698,648
Land improvements	58,069	59,140	-	-	58,069	59,140
Buildings and improvements	63,862,167	64,634,286	-	-	63,862,167	64,634,286
Furniture and equipment	2,164,522	2,305,998	84,889	102,815	2,249,411	2,408,813
Vehicles	588,534	534,604	-	-	588,534	534,604
Total	<u>\$ 70,371,940</u>	<u>\$ 71,232,676</u>	<u>\$ 84,889</u>	<u>\$ 102,815</u>	<u>\$ 70,456,829</u>	<u>\$ 71,335,491</u>

The District did not have any significant additions or disposals of capital assets in fiscal year 2011.

See Note 10 to the basic financial statements for detail on the District's capital assets.

***Debt Administration***

At June 30, 2011 the District had \$60,402,000 in general obligation bonds, \$188,166 in capital lease obligations, \$1,077,224 in a lease-purchase agreement and \$2,670,000 in school facilities construction and improvement notes outstanding. Of the total outstanding debt, \$3,988,978 is due within one year and \$60,348,412 is due within greater than one year. The following table summarizes the bonds, notes and lease obligations outstanding.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Outstanding Debt, at Year End**

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
General obligation bonds	\$ 60,402,000	\$ 60,852,378
School facilities construction and improvement notes	2,670,000	2,870,000
Capital lease obligation	188,166	160,397
Lease-purchase agreement	<u>1,077,224</u>	<u>1,121,330</u>
Total	<u>\$ 64,337,390</u>	<u>\$ 65,004,105</u>

See Note 13 to the basic financial statements for detail on the District's debt administration.

**Current Financial Related Activities**

The District continues to offer an excellent education program for the students. The District obtained the rating of Excellent with Distinction on the Local Report Card.

Current economic conditions are creating challenges for the District. Property values are decreasing throughout the District. Although House Bill 920 allows the effective millage rate collected to increase and thus protects the District from massive reductions in property tax collections, the District still loses money collected on the District's inside tax millage rate.

The District received federal stimulus funds through the 2009-2010 and 2010-2011 school years. This money is no longer available to the District for future years.

The District is also subject to reductions in funding previously provided in the form of a reimbursement for funds lost through the elimination of the Tangible Personal Property Tax Values.

These funding reductions caused the District to reduce expenditures for fiscal year 2012 through a Reduction in Force measure where 50 positions were eliminated or 11.9% of the current staff. There are no plans to reinstate the positions that were eliminated.

On November 8, 2011, voters in the District approved a three year \$5,830,000 emergency operating levy that renews the emergency levy that expires December 31, 2011. The renewal levy is for a reduction of \$609,000 in the amount of money to be collected annually.

The District will continue to provide the best educational program possible while constantly monitoring the financial status of the District.

**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, 100 Washington Street, Canal Winchester, Ohio 43110.

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 8,420,136	\$ 250,358	\$ 8,670,494
Cash with fiscal agent . . . . .	2,618,735	-	2,618,735
Cash in segregated accounts . . . . .	175	-	175
Receivables:			
Property taxes . . . . .	21,470,851	-	21,470,851
Income taxes . . . . .	1,819,327	-	1,819,327
Payment in lieu of taxes . . . . .	242,084	-	242,084
Accounts . . . . .	21,249	128	21,377
Intergovernmental . . . . .	911,910	-	911,910
Accrued interest . . . . .	4,616	-	4,616
Internal balance . . . . .	(2,905)	2,905	-
Materials and supplies inventory . . . . .	-	12,211	12,211
Unamortized bond issuance costs . . . . .	751,258	-	751,258
Capital assets:			
Land . . . . .	3,698,648	-	3,698,648
Depreciable capital assets, net . . . . .	66,673,293	84,889	66,758,182
Capital assets, net . . . . .	<u>70,371,941</u>	<u>84,889</u>	<u>70,456,830</u>
Total assets . . . . .	<u>106,629,377</u>	<u>350,491</u>	<u>106,979,868</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	228,548	-	228,548
Accrued wages and benefits . . . . .	3,768,578	10,517	3,779,095
Pension obligation payable . . . . .	736,674	15,023	751,697
Intergovernmental payable . . . . .	190,719	252	190,971
Unearned revenue . . . . .	13,959,449	-	13,959,449
Accrued interest payable . . . . .	224,294	-	224,294
Matured interest payable . . . . .	175	-	175
Claims payable . . . . .	366,829	-	366,829
Long-term liabilities:			
Due within one year . . . . .	4,147,601	-	4,147,601
Due in more than one year . . . . .	<u>63,676,722</u>	<u>1,332</u>	<u>63,678,054</u>
Total liabilities . . . . .	<u>87,299,589</u>	<u>27,124</u>	<u>87,326,713</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt . . . . .	6,214,038	84,889	6,298,927
Restricted for:			
Capital projects . . . . .	409,985	-	409,985
Classroom facilities maintenance . . . . .	756,200	-	756,200
Debt service . . . . .	2,432,735	-	2,432,735
State funded programs . . . . .	35,217	-	35,217
Federally funded programs . . . . .	780,697	-	780,697
Student activities . . . . .	73,775	-	73,775
Other purposes . . . . .	22,449	-	22,449
Unrestricted . . . . .	<u>8,604,692</u>	<u>238,478</u>	<u>8,843,170</u>
Total net assets . . . . .	<u>\$ 19,329,788</u>	<u>\$ 323,367</u>	<u>\$ 19,653,155</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, 2011

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental activities:</b>						
Instruction:						
Regular . . . . .	\$ 16,452,249	\$ 297,258	\$ 1,479,421	\$ (14,675,570)	\$ -	\$ (14,675,570)
Special . . . . .	4,023,824	28,158	1,779,573	(2,216,093)	-	(2,216,093)
Vocational . . . . .	475,595	-	186,301	(289,294)	-	(289,294)
Other . . . . .	410,222	-	182,456	(227,766)	-	(227,766)
Support services:						
Pupil . . . . .	2,156,770	-	195,216	(1,961,554)	-	(1,961,554)
Instructional staff . . . . .	1,766,319	-	362,842	(1,403,477)	-	(1,403,477)
Board of education . . . . .	170,357	-	-	(170,357)	-	(170,357)
Administration . . . . .	2,902,533	-	652,679	(2,249,854)	-	(2,249,854)
Fiscal . . . . .	933,943	-	12,314	(921,629)	-	(921,629)
Operations and maintenance . . . . .	4,439,809	67,623	-	(4,372,186)	-	(4,372,186)
Pupil transportation . . . . .	2,643,485	85,064	-	(2,558,421)	-	(2,558,421)
Central . . . . .	366,207	-	14,100	(352,107)	-	(352,107)
Other non-instructional services . . . . .	18,912	-	-	(18,912)	-	(18,912)
Extracurricular activities . . . . .	1,009,434	582,815	7,100	(419,519)	-	(419,519)
Interest and fiscal charges . . . . .	3,036,205	-	-	(3,036,205)	-	(3,036,205)
Total governmental activities . . . . .	<u>40,805,864</u>	<u>1,060,918</u>	<u>4,872,002</u>	<u>(34,872,944)</u>	<u>-</u>	<u>(34,872,944)</u>
<b>Business-type activities:</b>						
Food service . . . . .	1,143,055	725,065	540,673	-	122,683	122,683
Totals . . . . .	<u>\$ 41,948,919</u>	<u>\$ 1,785,983</u>	<u>\$ 5,412,675</u>	<u>(34,872,944)</u>	<u>122,683</u>	<u>(34,750,261)</u>
<b>General Revenues:</b>						
Property taxes levied for:						
General purposes . . . . .				15,252,942	-	15,252,942
Classroom facilities . . . . .				147,371	-	147,371
Debt service . . . . .				3,350,737	-	3,350,737
Income taxes levied for:						
General purposes . . . . .				3,911,298	-	3,911,298
Payment in lieu of taxes . . . . .				454,264	-	454,264
Grants and entitlements not restricted						
to specific programs . . . . .				14,318,122	-	14,318,122
Investment earnings . . . . .				28,396	263	28,659
Miscellaneous . . . . .				93,762	-	93,762
Total general revenues . . . . .				<u>37,556,892</u>	<u>263</u>	<u>37,557,155</u>
Change in net assets . . . . .				2,683,948	122,946	2,806,894
<b>Net assets at beginning of year . . . . .</b>				<u>16,645,840</u>	<u>200,421</u>	<u>16,846,261</u>
<b>Net assets at end of year . . . . .</b>				<u>\$ 19,329,788</u>	<u>\$ 323,367</u>	<u>\$ 19,653,155</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 5,254,308	\$ 1,278,235	\$ 1,697,434	\$ 8,229,977
Cash in segregated accounts . . . . .	-	175	-	175
Receivables:				
Property taxes . . . . .	17,495,649	3,806,717	168,485	21,470,851
Income taxes . . . . .	1,819,327	-	-	1,819,327
Payment in lieu of taxes . . . . .	242,084	-	-	242,084
Accounts . . . . .	15,622	-	5,627	21,249
Accrued interest . . . . .	4,616	-	-	4,616
Interfund loans . . . . .	218,344	-	-	218,344
Intergovernmental . . . . .	8,099	-	903,811	911,910
Total assets . . . . .	<u>\$ 25,058,049</u>	<u>\$ 5,085,127</u>	<u>\$ 2,775,357</u>	<u>\$ 32,918,533</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 125,067	\$ -	\$ 103,481	\$ 228,548
Accrued wages and benefits . . . . .	3,619,209	-	149,369	3,768,578
Compensated absences payable . . . . .	15,915	-	-	15,915
Pension obligation payable . . . . .	715,006	-	21,668	736,674
Intergovernmental payable . . . . .	175,719	-	15,000	190,719
Interfund loans payable . . . . .	-	-	218,344	218,344
Deferred revenue . . . . .	1,747,869	231,706	734,984	2,714,559
Unearned revenue . . . . .	11,423,917	2,427,923	107,609	13,959,449
Claims payable . . . . .	6,358	-	-	6,358
Matured interest payable . . . . .	-	175	-	175
Total liabilities . . . . .	<u>17,829,060</u>	<u>2,659,804</u>	<u>1,350,455</u>	<u>21,839,319</u>
<b>Fund Balances:</b>				
Restricted:				
Debt service . . . . .	-	2,425,323	-	2,425,323
Capital improvements . . . . .	-	-	409,985	409,985
Classroom facilities maintenance . . . . .	-	-	745,945	745,945
Non-public schools . . . . .	-	-	35,217	35,217
Special education . . . . .	-	-	46,284	46,284
Targeted academic assistance . . . . .	-	-	29,696	29,696
Extracurricular . . . . .	-	-	72,585	72,585
Other purposes . . . . .	-	-	27,042	27,042
Committed:				
Student instruction . . . . .	54,219	-	-	54,219
Capital improvements . . . . .	-	-	58,148	58,148
Student and staff support . . . . .	444,979	-	-	444,979
Assigned:				
Student instruction . . . . .	101,067	-	-	101,067
Student and staff support . . . . .	352,606	-	-	352,606
Extracurricular . . . . .	1,711	-	-	1,711
Unassigned . . . . .	6,274,407	-	-	6,274,407
Total fund balances . . . . .	<u>7,228,989</u>	<u>2,425,323</u>	<u>1,424,902</u>	<u>11,079,214</u>
Total liabilities and fund balances . . . . .	<u>\$ 25,058,049</u>	<u>\$ 5,085,127</u>	<u>\$ 2,775,357</u>	<u>\$ 32,918,533</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, 2011**

<b>Total governmental fund balances</b>		\$	11,079,214
<i>Amounts reported for governmental activities on 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.			70,371,941
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds			
Property taxes receivable	\$	1,306,880	
Income taxes receivable		678,692	
Intergovernmental receivable		723,539	
Accounts receivable		4,121	
Accrued interest receivable		1,327	
Total		2,714,559	2,714,559
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 on the statement of net assets, including the internal balance are:			2,445,518
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(224,294)
Unamortized premiums on bond issuance are not recognized in the funds.			(4,695,494)
Unamortized bond issuance costs are not recognized in the funds			751,258
Unamortized deferred charges on refundings are not recognized in the funds.			1,696,327
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 payable		(471,851)	
General obligation bonds payable		(60,402,000)	
Notes payable		(2,670,000)	
Lease purchase agreement payable		(1,077,224)	
Capital lease obligation payable		(188,166)	
Total		(64,809,241)	(64,809,241)
<b>Net assets of governmental activities</b>		\$	19,329,788

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, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 15,295,070	\$ 3,369,068	\$ 147,773	\$ 18,811,911
Income taxes . . . . .	3,232,606	-	-	3,232,606
Payment in lieu of taxes . . . . .	454,264	-	-	454,264
Tuition . . . . .	146,122	-	-	146,122
Transportation fees . . . . .	85,064	-	-	85,064
Earnings on investments . . . . .	27,069	-	562	27,631
Classroom materials and fees . . . . .	167,652	-	-	167,652
Extracurricular . . . . .	299,666	-	284,259	583,925
Rental income . . . . .	67,623	-	4,856	72,479
Contributions and donations . . . . .	1,265	-	10,600	11,865
Other local revenues . . . . .	91,533	-	6,786	98,319
Intergovernmental - state . . . . .	15,165,424	438,793	374,720	15,978,937
Intergovernmental - federal . . . . .	82,849	-	2,472,362	2,555,211
Total revenues . . . . .	<u>35,116,207</u>	<u>3,807,861</u>	<u>3,301,918</u>	<u>42,225,986</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	15,301,376	-	839,225	16,140,601
Special . . . . .	3,365,347	-	602,457	3,967,804
Vocational . . . . .	485,680	-	-	485,680
Other . . . . .	228,600	-	186,098	414,698
Support services:				
Pupil . . . . .	1,945,386	-	204,829	2,150,215
Instructional staff . . . . .	1,415,764	-	349,832	1,765,596
Board of education . . . . .	167,590	-	-	167,590
Administration . . . . .	2,193,429	-	635,180	2,828,609
Fiscal . . . . .	865,075	47,196	16,668	928,939
Operations and maintenance . . . . .	4,099,212	-	308,105	4,407,317
Pupil transportation . . . . .	2,502,498	-	163,191	2,665,689
Central . . . . .	294,726	-	69,246	363,972
Extracurricular activities . . . . .	663,112	-	289,337	952,449
Facilities acquisition and construction . . . . .	-	-	1,985	1,985
Capital outlay . . . . .	91,000	-	-	91,000
Debt service:				
Principal retirement . . . . .	108,337	3,890,000	-	3,998,337
Interest and fiscal charges . . . . .	69,570	2,555,302	-	2,624,872
Note issuance costs . . . . .	-	19,478	-	19,478
Total expenditures . . . . .	<u>33,796,702</u>	<u>6,511,976</u>	<u>3,666,153</u>	<u>43,974,831</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,319,505</u>	<u>(2,704,115)</u>	<u>(364,235)</u>	<u>(1,748,845)</u>
<b>Other financing sources:</b>				
Premium on notes sold . . . . .	-	22,455	-	22,455
Sale of capital assets . . . . .	33,190	-	3,500	36,690
Sale of notes . . . . .	-	2,670,000	-	2,670,000
Capital lease transaction . . . . .	91,000	-	-	91,000
Total other financing sources . . . . .	<u>124,190</u>	<u>2,692,455</u>	<u>3,500</u>	<u>2,820,145</u>
Net change in fund balances . . . . .	1,443,695	(11,660)	(360,735)	1,071,300
<b>Fund balances at beginning of year (restated).</b>	<u>5,785,294</u>	<u>2,436,983</u>	<u>1,785,637</u>	<u>10,007,914</u>
<b>Fund balances at end of year.</b>	<u>\$ 7,228,989</u>	<u>\$ 2,425,323</u>	<u>\$ 1,424,902</u>	<u>\$ 11,079,214</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, 2011

<b>Net change in fund balances - total governmental funds</b>		\$ 1,071,300
<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 depreciation expense exceeded capital outlays in the current period.		
Capital asset additions	\$ 540,707	
Current year depreciation	(1,260,134)	
Total		(719,427)
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		
		(141,308)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	617,831	
Intergovernmental	644,814	
Other	(146)	
Earnings on investments	1,327	
Total		1,263,826
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets		
		3,998,337
The issuances of notes and capital leases transactions are recorded as other financing sources in the governmental funds, however, in the statement of activities, they are not reported as revenue as they increase the long-term liabilities on the statement of net assets		
		(2,761,000)
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 following items resulted in more interest being reported in the statement of activities		
Decrease in accrued interest payable	19,536	
Accreted interest on capital appreciation bonds	(569,622)	
Amortization of deferred charges	(127,241)	
Amortization of bond premium	314,104	
Amortization of bond issuance costs	(51,087)	
Total		(414,310)
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.		
		46,068
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 the internal balance, is allocated among governmental activities.		
		340,462
<b>Change in net assets of governmental activities</b>		<b>\$ 2,683,948</b>

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, 2011

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 15,303,245	\$ 15,292,682	\$ 15,292,682	\$ -
Income taxes . . . . .	3,047,800	3,125,972	3,125,972	-
Payment in lieu of taxes . . . . .	-	454,264	454,264	-
Tuition . . . . .	112,000	148,980	148,980	-
Transportation fees . . . . .	56,500	85,064	85,064	-
Earnings on investments . . . . .	80,000	25,089	25,208	119
Classroom materials and fees . . . . .	-	164,800	164,800	-
Extracurricular . . . . .	140,000	146,893	146,893	-
Rental income . . . . .	65,000	62,263	62,263	-
Contributions and donations . . . . .	500	1,265	1,265	-
Other local revenues . . . . .	165,000	105,268	105,268	-
Intergovernmental - State . . . . .	15,176,982	15,145,911	15,145,911	-
Intergovernmental - Federal . . . . .	40,000	83,256	83,256	-
Total revenue . . . . .	<u>34,187,027</u>	<u>34,841,707</u>	<u>34,841,826</u>	<u>119</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	15,267,362	15,592,953	15,274,178	318,775
Special . . . . .	3,720,222	3,715,404	3,393,287	322,117
Vocational . . . . .	545,624	559,650	520,450	39,200
Other . . . . .	148,780	185,842	184,783	1,059
Support services:				
Pupil . . . . .	2,244,337	2,233,172	2,099,398	133,774
Instructional staff . . . . .	1,500,390	1,460,467	1,432,409	28,058
Board of education . . . . .	434,981	441,998	391,560	50,438
Administration . . . . .	2,299,421	2,322,481	2,233,466	89,015
Fiscal . . . . .	838,036	933,945	907,249	26,696
Operations and maintenance . . . . .	4,677,814	4,701,432	4,602,885	98,547
Pupil transportation . . . . .	3,229,306	3,011,939	2,674,156	337,783
Central . . . . .	325,495	302,307	292,430	9,877
Extracurricular activities . . . . .	557,063	514,070	501,117	12,953
Total expenditures . . . . .	<u>35,788,831</u>	<u>35,975,660</u>	<u>34,507,368</u>	<u>1,468,292</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,601,804)</u>	<u>(1,133,953)</u>	<u>334,458</u>	<u>1,468,411</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	500	685	685	-
Refund of prior year receipt . . . . .	(17,700)	(19,853)	(19,653)	200
Advances in . . . . .	231,184	231,183	231,183	-
Advances (out) . . . . .	-	(218,344)	(218,344)	-
Sale of assets . . . . .	-	33,190	33,190	-
Contingencies . . . . .	(1,167)	(93,022)	-	93,022
Total other financing sources (uses) . . . . .	<u>212,817</u>	<u>(66,161)</u>	<u>27,061</u>	<u>93,222</u>
Net change in fund balance . . . . .	(1,388,987)	(1,200,114)	361,519	1,561,633
<b>Fund balance at beginning of year (restated)</b>	2,530,730	2,530,730	2,530,730	-
<b>Prior year encumbrances appropriated . . .</b>	975,025	975,025	975,025	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,116,768</u>	<u>\$ 2,305,641</u>	<u>\$ 3,867,274</u>	<u>\$ 1,561,633</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, 2011

	<u><b>Total Business-Type Activities - Food Service</b></u>	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 250,358	\$ 190,159
Cash with fiscal agent . . . . .	-	2,618,735
Receivables:		
Accounts . . . . .	128	-
Materials and supplies inventory . . . . .	12,211	-
Total current assets . . . . .	<u>262,697</u>	<u>2,808,894</u>
Noncurrent assets:		
Depreciable capital assets, net. . . . .	84,889	-
Total assets . . . . .	<u>347,586</u>	<u>2,808,894</u>
<b>Liabilities:</b>		
Accrued wages and benefits . . . . .	10,517	-
Pension obligation payable. . . . .	15,023	-
Intergovernmental payable . . . . .	252	-
Claims payable . . . . .	-	360,471
Total current liabilities . . . . .	<u>25,792</u>	<u>360,471</u>
Long-term liabilities:		
Compensated absences payable. . . . .	1,332	-
Total liabilities . . . . .	<u>27,124</u>	<u>360,471</u>
<b>Net assets:</b>		
Invested in capital assets . . . . .	84,889	-
Unrestricted. . . . .	<u>235,573</u>	<u>2,448,423</u>
Total net assets . . . . .	<u>320,462</u>	<u>\$ 2,448,423</u>
Adjustment to reflect the consolidation of the internal service fund activity related to the enterprise fund . . . . .		
	<u>2,905</u>	
Net assets of business-type activities . . . . .	<u>\$ 323,367</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, 2011

	<b>Total Business-Type Activities - Food Service</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>		
Sales/charges for services. . . . .	\$ 708,141	\$ 4,317,726
Other . . . . .	16,924	-
Total operating revenues . . . . .	725,065	4,317,726
<b>Operating expenses:</b>		
Personal services . . . . .	55,732	-
Purchased services . . . . .	991,390	-
Materials and supplies . . . . .	66,688	-
Other . . . . .	7,990	-
Claims . . . . .	-	3,980,593
Depreciation . . . . .	12,379	-
Total operating expenses . . . . .	1,134,179	3,980,593
Operating income (loss). . . . .	(409,114)	337,133
<b>Nonoperating revenues (expenses)</b>		
Federal donated commodities. . . . .	69,770	-
Grants and subsidies . . . . .	470,903	-
Interest revenue. . . . .	263	-
Loss on disposal of capital assets . . . . .	(5,547)	-
Total nonoperating revenues (expenses). . . . .	535,389	-
Change in net assets. . . . .	126,275	337,133
<b>Net assets at beginning of year. . . . .</b>		2,111,290
<b>Net assets at end of year . . . . .</b>		\$ 2,448,423
Adjustment to reflect the consolidation of the internal service fund activity related to the enterprise fund . . . . .	(3,329)	
Changes in net assets of business-type activities. .	\$ 122,946	

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, 2011

	<b>Total Business-Type Activities - Food Service</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from sales/charges for services. . . . .	\$ 710,874	\$ 4,317,726
Cash received from other operations . . . . .	16,796	-
Cash payments for personal services. . . . .	(66,191)	-
Cash payments for contractual services . . . . .	(1,018,935)	-
Cash payments for materials and supplies . . . . .	(3,265)	-
Cash payments for claims . . . . .	-	(3,922,950)
Cash payments for other expenses . . . . .	(7,990)	-
Net cash provided by (used in) operating activities . . . . .	(368,711)	394,776
<b>Cash flows from noncapital financing activities:</b>		
Cash received from grants and subsidies. . . . .	470,903	-
Net cash provided by noncapital financing activities. . . . .	470,903	-
<b>Cash flows from investing activities:</b>		
Interest received . . . . .	263	-
Net cash provided by investing activities . . . . .	263	-
Net increase in cash and cash equivalents . . . . .	102,455	394,776
<b>Cash and cash equivalents at beginning of year . . .</b>	147,903	2,414,118
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 250,358</b>	<b>\$ 2,808,894</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income (loss). . . . .	\$ (409,114)	\$ 337,133
Adjustments:		
Depreciation. . . . .	12,379	-
Federal donated commodities . . . . .	69,770	-
Changes in assets and liabilities:		
(Increase) in materials and supplies inventory. . . . .	(6,347)	-
Decrease in accounts receivable. . . . .	2,605	-
(Decrease) in accounts payable . . . . .	(27,545)	-
(Decrease) in accrued wages and benefits . . . . .	(2,917)	-
(Decrease) in intergovernmental payable. . . . .	(114)	-
Increase in compensated absences payable. . . . .	8	-
(Decrease) in pension obligation payable . . . . .	(7,436)	-
Increase in claims payable . . . . .	-	57,643
Net cash provided by (used in) operating activities. . . . .	\$ (368,711)	\$ 394,776

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, 2011

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 37,486
Total assets. . . . .	\$ 37,486
<b>Liabilities:</b>	
Due to students. . . . .	\$ 37,486
Total liabilities . . . . .	\$ 37,486

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, 2011**

**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 3311.03 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 2010 was 3,446. The District employed 268 full-time certified employees and 151 full-time non-certified employees.

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) guidance issued on or before November 30, 1989, to its governmental type activity and to its proprietary funds provided it does not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB guidance 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 this FASB guidance. 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 and component units. 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, 2011**

**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 access the organization's resources; or (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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these 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.

Financial information can be obtained from the offices of the Director, Metropolitan Educational Council, 2100 Citygate Drive, Columbus, Ohio.

South Central Ohio Insurance Consortium

The District is a member of the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool. The SCOIC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. The governing board consists of the superintendent, treasurer, or other designee appointed by each of the members of the SCOIC. Members include 12 school districts, the City of Lancaster and the Fairfield County Board of Board of Developmental Disabilities. The Liberty Union-Thurston Local School District serves as fiscal agent for the SCOIC. To obtain financial information for the SCOIC, write to the fiscal agent, at 600 Washington Street, Baltimore, Ohio 43105. See Note.15.C for further information.

**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.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

*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 and report all financial resources not accounted for and reported 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.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*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 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.

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 the health, medical, prescription drug and dental self-insurance program.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

*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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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 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 goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

*Revenues - Exchange and Nonexchange 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 income taxes is recognized in the period in which the income is earned (See Note 7). 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.

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, school district income taxes, interest, tuition, grants and student fees.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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, 2011, but which were levied to finance fiscal year 2012 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 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2011, 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 entitlement 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 (except agency). The specific timetable for fiscal year 2011 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 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 April 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 July 1, 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.

The certificate of estimated resources 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 of estimated resources issued for fiscal year 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

4. By July 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.
8. 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 increased 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.
9. 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**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2011, the District's investments included federal agency securities, commercial paper and STAR Ohio. Investments are reported at fair value. Fair value is based on quoted market price or current share price. 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 shares price, which is the price the investment could be sold for on June 30, 2011.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, lunch room, trust fund and building fund authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$27,069, which includes \$12,764 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, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded 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 are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	20-100 years	N/A
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.” 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 sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the 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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, 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 sick leave 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 sick leave payments has been calculated using pay rates in effect at June 30, 2011, 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, which is primarily the general fund. 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and other long-term obligations are recognized as a liability on the fund financial statements when due.

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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. Net assets restricted for other purposes primarily include monies endowed to the District whose use is restricted.

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

**O. 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 2011.

**P. 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.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, 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, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 13.A.

**R. 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 year 2011.

**S. 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 nonmajor governmental fund for financial reporting purposes.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**B. Fund Reclassification**

A fund reclassification is required in order to report funds in accordance with GASB Statement No 54. The fund reclassification had the following effect on the District's governmental fund balances as previously reported:

	General	Debt Service	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 5,746,812	\$ 2,436,983	\$ 1,824,119	\$ 10,007,914
Fund reclassification:				
Public school support fund	38,482	-	(38,482)	-
Restated fund balance at July 1, 2010	\$ 5,785,294	\$ 2,436,983	\$ 1,785,637	\$ 10,007,914

The fund reclassification did not have an effect on net assets as previously reported.

**C. Budgetary Prior Period Adjustment**

In prior years a certain fund that is legally budgeted in a separate agency fund was considered part of the general fund on a budgetary basis. The District has elected only to report the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

<b>Budgetary Basis</b>	
	General Fund
Balance at June 30, 2010	\$ 2,824,082
Funds budgeted elsewhere	(293,352)
Restated balance at July 1, 2010	\$ 2,530,730

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described items in (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,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public 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, 2011 was \$2,618,735.

**B. Cash in Segregated Accounts**

At June 30, 2011, \$175 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; it is reported on the balance sheet and statement of net assets as "cash in segregated accounts".

**C. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all District deposits was \$4,700,387. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$4,780,486 of the District's bank balance of \$5,030,661 was exposed to custodial risk as discussed below, while \$250,175 was covered by the FDIC.

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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Investments**

As of June 30, 2011, the District had the following investments and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>13 to 18 months</u>
STAR Ohio	\$ 11,339	\$ 11,339	\$ -
Federal Home Loan Bank	1,000,920	-	1,000,920
Commercial paper	<u>2,995,509</u>	<u>2,995,509</u>	<u>-</u>
Total	<u>\$ 4,007,768</u>	<u>\$ 3,006,848</u>	<u>\$ 1,000,920</u>

*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:* Standard & Poor's has assigned STAR Ohio an AAA money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The investment in the Federal Home Loan Bank note carries a rating of Aaa by Moodys and AAA by Standard & Poor's. The investment in commercial paper carries a rating of A1+ by Moodys and P1 by Standard & Poor's. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State Statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*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, 2011:

<u>Investment type</u>	<u>Fair value</u>	<u>% to total</u>
STAR Ohio	\$ 11,339	0.28
Federal Home Loan Bank	1,000,920	24.97
Commercial paper	<u>2,995,509</u>	<u>74.75</u>
Total	<u>\$ 4,007,768</u>	<u>100.00</u>

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**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 note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,700,387
Cash with fiscal agent	2,618,735
Investments	<u>4,007,768</u>
Total	<u>\$ 11,326,890</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 11,039,046
Business type activities	250,358
Agency fund	<u>37,486</u>
Total	<u>\$ 11,326,890</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2011, as reported on the fund statements consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 218,344

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.

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Franklin and Fairfield Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$5,248,897 in the general fund, \$1,147,088 in the debt service fund, and \$50,621 in the classroom maintenance special revenue fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$5,246,509 in the general fund, \$1,189,263 in the debt service fund and \$50,600 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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 unearned revenue.

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



**CANAL WINCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 422,680,650	96.39	\$ 418,815,410	96.09
Public utility personal	15,492,790	3.53	17,015,400	3.90
Tangible personal property	<u>336,304</u>	<u>0.08</u>	<u>39,570</u>	<u>0.01</u>
Total	<u>\$ 438,509,744</u>	<u>100.00</u>	<u>\$ 435,870,380</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		77.75		77.75

**NOTE 7 - PAYMENT IN LIEU OF TAXES**

According to State law, Fairfield County has entered into agreements property owners under which Fairfield County has granted property tax abatements to those property owners and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to Fairfield County to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by those owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners. The District received \$454,264 in payments in lieu of taxes during fiscal year 2011, a portion of which consisted of delinquent payments, and a receivable of \$242,084 has been reported on the statement of net assets.

**NOTE 8 - 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 credited to the general fund and as reported on the statement of activities totaled \$3,232,606 and \$3,911,298, respectively, in fiscal year 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. 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:**

Property taxes	\$ 21,470,851
Income taxes	1,819,327
Payment in lieu of taxes	242,084
Accounts	21,249
Intergovernmental	911,910
Accrued interest	4,616

**Business-type activities:**

Accounts	128
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Receivables have been disaggregated on the face of the financial statements. All receivables, except property taxes, are expected to be collected within one year. Property taxes and payment in lieu of taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance			Balance
	<u>06/30/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>06/30/11</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,698,648	\$ -	\$ -	\$ 3,698,648
Total capital assets, not being depreciated	<u>3,698,648</u>	<u>-</u>	<u>-</u>	<u>3,698,648</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	90,951	-	-	90,951
Buildings and improvements	72,156,736	-	-	72,156,736
Furniture and equipment	4,545,457	347,858	(658,412)	4,234,903
Vehicles	2,354,899	192,849	(48,375)	2,499,373
Total capital assets, being depreciated	<u>79,148,043</u>	<u>540,707</u>	<u>(706,787)</u>	<u>78,981,963</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(31,811)	(1,071)	-	(32,882)
Buildings	(7,522,450)	(772,119)	-	(8,294,569)
Furniture and equipment	(2,239,459)	(348,026)	517,104	(2,070,381)
Vehicles	(1,820,295)	(138,919)	48,375	(1,910,839)
Total accumulated depreciation	<u>(11,614,015)</u>	<u>(1,260,135)</u>	<u>565,479</u>	<u>(12,308,671)</u>
Governmental activities capital assets, net	<u>\$ 71,232,676</u>	<u>\$ (719,428)</u>	<u>\$ (141,308)</u>	<u>\$ 70,371,940</u>
<b>Business-type activities:</b>				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 342,359	\$ -	\$ (37,145)	\$ 305,214
Total capital assets being depreciated	<u>342,359</u>	<u>-</u>	<u>(37,145)</u>	<u>305,214</u>
<i>Less accumulated depreciation:</i>				
Furniture and equipment	(239,544)	(12,379)	31,598	(220,325)
Total accumulated depreciation	<u>(239,544)</u>	<u>(12,379)</u>	<u>31,598</u>	<u>(220,325)</u>
Business-type activities capital assets, net	<u>\$ 102,815</u>	<u>\$ (12,379)</u>	<u>\$ (5,547)</u>	<u>\$ 84,889</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 10 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 530,735
Special	90,231
Vocational	20,381
<u>Support services:</u>	
Pupil	40,777
Instructional staff	48,796
Board of education	2,767
Administration	119,553
Fiscal	8,531
Operations and maintenance	122,627
Pupil transportation	174,748
Central	5,776
Operation of non-instructional services	18,912
Extracurricular activities	<u>76,301</u>
Total depreciation expense	<u>\$ 1,260,135</u>

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

Food service	<u>\$ 12,379</u>
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**NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In the current year and in prior fiscal years, the District entered into capitalized leases for copier equipment. The lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds and in the budgetary statements. At June 30, 2011, the capital assets acquired by the capital lease obligations outstanding at fiscal year end have been capitalized in the amount of \$364,394, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 was \$189,361, leaving a current book value of \$175,033.

A corresponding liability is recorded in the statement of net assets. Principal and interest payments in fiscal year 2011 totaled \$64,231 and \$15,056, respectively, in the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Copiers</u>
2012	\$ 85,086
2013	61,363
2014	39,434
2015	23,188
2016	<u>5,797</u>
Total minimum lease payments	214,868
Less: amount representing interest	<u>(26,702)</u>
Total	<u>\$ 188,166</u>

**NOTE 12 - 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, 2011, 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, 2011 was \$43,681 leaving a current book value of \$973,794. Lease-purchase payments have been reflected as debt service expenditures in the general fund. Principal and interest payments in fiscal year 2011 totaled \$44,106 and \$54,514, respectively, in the general fund.

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, 2011.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2012	\$ 98,620
2013	98,620
2014	98,620
2015	98,620
2016	98,620
2017 - 2021	493,100
2022 - 2026	493,100
2027	<u>73,969</u>
Total minimum lease payments	1,553,269
Less: amount representing interest	<u>(476,045)</u>
Present value of minimum lease payments	<u>\$ 1,077,224</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 13 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	Balance <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/11</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds:	\$ 60,852,378	\$ 569,622	\$ (1,020,000)	\$ 60,402,000	\$ 1,200,000
School facilities construction and improvement notes	2,870,000	2,670,000	(2,870,000)	2,670,000	2,670,000
Lease purchase agreement	1,121,330	-	(44,106)	1,077,224	46,337
Capital lease obligation	161,397	91,000	(64,231)	188,166	72,641
Compensated absences	<u>547,686</u>	<u>165,871</u>	<u>(225,791)</u>	<u>487,766</u>	<u>158,623</u>
Total long-term obligations, governmental activities	<u>\$ 65,552,791</u>	<u>\$ 3,496,493</u>	<u>\$ (4,224,128)</u>	64,825,156	<u>\$ 4,147,601</u>
Less: Unamortized deferred charge on refunding				(1,696,327)	
Add: Unamortized premium on refunding				<u>4,695,494</u>	
Total on the statement of net assets				<u>\$ 67,824,323</u>	

During the fiscal year 2011, the following activity occurred in business-type long-term obligations:

	Balance <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/11</u>	Amounts Due in <u>One Year</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 1,324	\$ 8	\$ -	\$ 1,332	\$ -
Total long-term obligations, business-type activities	<u>\$ 1,324</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 1,332</u>	<u>\$ -</u>

**B. General Obligation Bonds**

The District has six 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the District's general obligation bonds outstanding at June 30, 2010:

	Balance <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/11</u>
<b>General obligation bonds:</b>				
Series 1998 - current interest bonds	\$ 2,260,000	\$ -	\$ -	\$ 2,260,000
Series 2000 - current interest bonds	855,000	-	(5,000)	850,000
Series 2001 - current interest bonds	220,000	-	(80,000)	140,000
Series 2001 - capital appreciation bonds	338,363	-	-	338,363
Series 2001 - accreted interest	872,018	132,797	-	1,004,815
	<u>1,430,381</u>	<u>132,797</u>	<u>(80,000)</u>	<u>1,483,178</u>
Series 2005-A - refunding current interest bonds	3,460,000	-	(335,000)	3,125,000
Series 2005-A - refunding capital appreciation bonds	255,000	-	-	255,000
Series 2005-A - accreted interest	168,235	50,645	-	218,880
	<u>3,883,235</u>	<u>50,645</u>	<u>(335,000)</u>	<u>3,598,880</u>
Series 2005-B - refunding and school facilities construction current interest bonds	5,515,000	-	(10,000)	5,505,000
Series 2005-B - capital appreciation bonds	3,600,000	-	-	3,600,000
Series 2005-B - accreted interest	1,555,154	376,630	-	1,931,784
	<u>10,670,154</u>	<u>376,630</u>	<u>(10,000)</u>	<u>11,036,784</u>
Series 2007 - refunding current interest bonds	41,735,000	-	(590,000)	41,145,000
Series 2007 - refunding capital appreciation bonds	4,983	-	-	4,983
Series 2007 - accreted interest	13,625	9,550	-	23,175
	<u>41,753,608</u>	<u>9,550</u>	<u>(590,000)</u>	<u>41,173,158</u>
Total general obligation bonds payable	<u>\$ 60,852,378</u>	<u>\$ 569,622</u>	<u>\$ (1,020,000)</u>	<u>\$ 60,402,000</u>

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, bears an interest rate of 5.300% and matures on December 1, 2025. On April 14, 2005, the District issued \$3,055,000 (Series 2005A 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, 2011, the balance of the Series 1998-B General Obligation Bonds is \$2,260,000. The balance of the refunded bonds at June 30, 2011, is \$6,365,000. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

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, bears an interest rate of 6.375% and matures on June 1, 2028. The bonds have an outstanding balance of \$850,000 at June 30, 2011.

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 2005B 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, 2011, is \$7,310,000.

At June 30, 2011, the non-refunded portion of this issue is comprised of both current interest bonds, par value \$140,000, 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 (stated interest 10.646%), December 1, 2014 (stated interest 10.847%), December 1, 2015 (stated interest 11.025%), December 1, 2016 (stated 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 \$1,004,815 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2011.

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.

At June 30, 2011, the refunding issue is comprised of both current interest bonds, par value \$3,125,000, 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 (stated interest 32.820%) and December 1, 2019 (stated 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 \$218,880 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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

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.

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. The balance of the refunded bonds at June 30, 2011 is \$28,675,000.

At June 30, 2011, the non-refunded portion of the debt issue is comprised of both current interest bonds, par value \$5,505,000, 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 (stated interest 11.049%), December 1, 2029 (stated interest 6.942%), December 1, 2030 (stated interest 6.946%), December 1, 2031 (stated interest 6.939%), December 1, 2032 (stated interest 6.950%), December 1, 2033 (stated 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 \$1,931,784 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.

At June 30, 2011, the debt issue is comprised of both current interest bonds, par value \$41,145,000, 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 (approximate initial offering yield at maturity of 4.30%), 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 \$23,175 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, 2011

**NOTE 13 - 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 following is a summary of the future debt service requirements to maturity for the general obligation bonds.

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,200,000	\$ 2,435,912	\$ 3,635,912	\$ -	\$ -	\$ -
2013	1,495,000	2,370,915	3,865,915	-	-	-
2014	1,215,000	2,300,784	3,515,784	77,475	412,525	490,000
2015	1,205,000	2,240,290	3,445,290	331,045	813,955	1,145,000
2016	1,295,000	2,182,646	3,477,646	91,153	488,847	580,000
2017 - 2021	13,405,000	9,496,235	22,901,235	93,690	586,310	680,000
2022 - 2026	20,115,000	5,749,349	25,864,349	264,983	4,510,017	4,775,000
2027 - 2031	13,095,000	972,277	14,067,277	1,470,000	6,440,000	7,910,000
2032 - 2034	-	-	-	1,870,000	9,995,000	11,865,000
Total	<u>\$ 53,025,000</u>	<u>\$ 27,748,408</u>	<u>\$ 80,773,408</u>	<u>\$ 4,198,346</u>	<u>\$ 23,246,654</u>	<u>\$ 27,445,000</u>

**C. Other Long-Term Obligations**

Compensated absences

Compensated absences will be paid from the fund from which the person is paid, which, for governmental activities, is primarily the general fund, and, for business-type activities, is the food service fund.

Capital lease obligation

Refer to Note 11 to the notes to the basic financial statements for detail on the lease purchase agreement.

Lease purchase agreement

Refer to Note 12 to the notes to the basic financial statements for detail on the lease purchase agreement.

School facilities construction and improvement notes

On November 24, 2009, the District issued \$2,770,000 and \$100,000 in notes payable to finance various District building improvements. The notes matured on November 24, 2010 with an interest rate of 2.5 percent.

On November 18, 2010, the District issued \$2,670,000 in notes payable to finance various District building improvements. The notes mature on November 17, 2011 with an interest rate of 1.60 percent.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

These notes are considered long-term in accordance GASB Statement No. 34 and are for capital acquisition and construction. The notes outstanding at June 30, 2011, will be retired with proceeds of school facilities construction and improvement bonds issued on November 9, 2011 (See Note 21.A. for detail).

**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 used 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 14 - 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 thirty-five 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, 2011**

**NOTE 14 - 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 250 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. Compensated absences are primarily paid from the general fund.

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 15 - 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 2011, the District has contracted with commercial carriers for property and general liability insurance.

The District maintains replacement cost insurance on buildings and contents of \$103,227,168. General liability insurance is maintained in the amount of \$6,000,000 for each occurrence and \$6,000,000 in the aggregate. The District maintains fleet insurance in the amount of \$6,000,000 for any one accident or loss and \$6,000,000 in the aggregate.

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, 2011

**NOTE 15 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

For fiscal year 2011, the District participated in the SchoolComp Group Retrospective Rating Program (Group Retro). The intent of the Group Retro is to reward participants that are able to keep their individual claim costs below a predetermined amount. The District continues to pay their individual premium; however, the District will have the opportunity to receive retrospective premium adjustments (refunds or assessments) at the end of the three evaluation periods. The group's retrospective premium will be calculated at 12, 24, and 36 months after the end of the policy year. At the end of each period, the Bureau of Workers Comp (BWC) will take a snap-shot of the incurred claims losses for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, all the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by the BWC. CompManagement, Inc. provides administrative, cost control and actuarial services to the Group Retro program.

The Group Retro program is accounted for in the general fund which pays for all claims, claim reserves and administrative costs of the program. The general fund generates revenues by charging each fund a percentage rate determined by the Bureau for the payroll during the reporting period. The claims liability is recorded based on an actuarial determination of future claims. Claims activity for fiscal year 2011 follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2011	\$ -	\$ 6,358	\$ -	\$ 6,358

**C. Health Insurance**

The District is a member of the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool. The SCOIC contracts with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool, for medical, dental, and prescription drug coverage on a self-insured basis. The SCOIC members are considered self-insured and pay a monthly premium to OME-RESA that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. An additional fee is paid for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays a dividend to the participants.

SCOIC members participate in the shared risk pool through OME-RESA for individual claims from \$50,000 to \$400,000. SCOIC members are then covered under stop loss coverage for claims over \$400,000. OME-RESA contracts with Employees Benefits Management Corporation to service the claims of SCOIC members. In the event that the District would withdraw from SCOIC, the District would be required to give 180 day notice prior to the end of their three year contract, be responsible for all run-out claims, and would have no rights to share any surplus funds of SCOIC. In the event SCOIC members would withdraw from OME-RESA, the SCOIC members would be required to give a 30 day notice, be responsible for all run-out claims, and have no rights to share in any surplus funds of OME-RESA.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 15 - RISK MANAGEMENT - (Continued)**

A summary of changes in self-insurance claims for the fiscal year ended June 30, 2011:

	2011	2010
Claim Liabilities at Beginning of Year	\$ 302,828	\$ 318,454
Incurred Claims	3,980,593	3,228,105
Claims Paid	(3,922,950)	(3,243,731)
Claim Liabilities at End of year	\$ 360,471	\$ 302,828

Vision benefits are provided through Vision Service Plan for \$11.75 per employee.

**NOTE 16 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - 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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$509,493, \$515,373 and \$324,959, respectively; 62.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 16 - PENSION PLANS - (Continued)**

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,061,140, \$1,940,039 and \$1,819,502, respectively; 82.93 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$95,248 made by the District and \$68,035 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 17 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$126,013, \$94,332 and \$217,261, respectively; 62.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$32,787, \$30,648 and \$26,812, respectively; 62.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 17 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$158,549, \$149,234 and \$139,962, respectively; 82.93 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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	\$ 361,519
Net adjustment for revenue accruals	100,023
Net adjustment for expenditure accruals	(169,191)
Net adjustment for other sources/uses	97,129
Funds budgeted elsewhere *	12,016
Adjustment for encumbrances	1,042,199
GAAP basis	\$ 1,443,695

\*Certain funds that are legally budgeted in separate special revenue and agency funds are considered part of the general fund on a GAAP basis. This includes the public school support fund and district agency retirement fund.

**NOTE 19 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2011.

**B. Litigation**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 20 - SET-ASIDES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital improvements. Disclosure of this information is required by State statute.

	<u>Textbooks &amp; Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	543,421	543,421
Current year qualifying expenditures	(1,128,130)	(657,190)
Excess qualified expenditures from prior years	(2,664,463)	-
Current year offsets	<u>-</u>	<u>(455,720)</u>
Total	<u>\$ (3,249,172)</u>	<u>\$ (569,489)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook and instructional materials set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

**NOTE 21 - SIGNIFICANT SUBSEQUENT EVENTS**

- A.** On November 9, 2011, the District issued \$2,180,000 in energy conservation notes and \$2,670,000 in school facilities construction and improvement bonds. The energy conservation notes bear interest rates ranging from 2.00 percent to 3.35 percent and have a final maturity of December 1, 2026. The school facilities construction and improvement bonds will be used to retire the bond anticipation notes maturing on November 17, 2011, bear interest rates ranging from 2.00 percent to 4.20 percent and have a final maturity date of December 1, 2038.
- B.** On November 8, 2011, voters in the District approved a three year, \$5,830,000 emergency operating levy that renewed the emergency levy set to expire on December 31, 2011.

## **SUPPLEMENTARY DATA**

CANAL WINCHESTER LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Child Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2011	\$ 73,302	\$ 73,302
(C)(D) National School Lunch Program	10.555	2011	387,324	387,324
(D)(E) National School Lunch Program - Food Donation	10.555	2011	69,770	69,770
<b>Total National School Lunch Program</b>			<b>457,094</b>	<b>457,094</b>
<b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>			<b>530,396</b>	<b>530,396</b>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Title I Grant Cluster:</i>				
(F)(H) Title I Grants to Local Educational Agencies	84.010	2010	51,960	56,312
(F)(H) Title I Grants to Local Educational Agencies	84.010	2011	260,032	242,754
<b>Total Title I Grants to Local Educational Agencies</b>			<b>311,992</b>	<b>299,066</b>
(F) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	810	2,191
(F) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	59,446	56,645
<b>Total ARRA Title I Grants to Local Educational Agencies, Recovery Act</b>			<b>60,256</b>	<b>58,836</b>
<b>Total Title I Grant Cluster</b>			<b>372,248</b>	<b>357,902</b>
<i>Special Education Grant Cluster:</i>				
(G)(H) Special Education_Grants to States	84.027	2010	93,550	108,301
(G)(H) Special Education_Grants to States	84.027	2011	491,651	482,691
<b>Total Special Education_Grants to States</b>			<b>585,201</b>	<b>590,992</b>
(G)(H) ARRA Special Education_Grants to States, Recovery Act	84.391	2010	2,554	47,076
(G)(H) ARRA Special Education_Grants to States, Recovery Act	84.391	2011	354,758	326,777
<b>Total ARRA Special Education_Grants to States, Recovery Act</b>			<b>357,312</b>	<b>373,853</b>
<b>Total Special Education Grant Cluster</b>			<b>942,513</b>	<b>964,845</b>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	88	-
(H) Education Technology State Grants	84.318	2010	(239)	-
(H) Education Technology State Grants	84.318	2011	1,790	1,543
<b>Total Education Technology State Grants</b>			<b>1,551</b>	<b>1,543</b>
English Language Acquisition Grants	84.365	2010	6,072	4,155
English Language Acquisition Grants	84.365	2011	14,694	19,201
<b>Total English Language Acquisition Grants</b>			<b>20,766</b>	<b>23,356</b>
(H) Improving Teacher Quality State Grants	84.367	2010	(7,143)	-
(H) Improving Teacher Quality State Grants	84.367	2011	68,077	65,829
<b>Total Improving Teacher Quality State Grants</b>			<b>60,934</b>	<b>65,829</b>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	1,041,329	1,041,329
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	2011	34,471	31,252
<b>Total U.S. Department of Education</b>			<b>2,473,900</b>	<b>2,486,056</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 3,004,296</b>	<b>\$ 3,016,452</b>

- Continued

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value
- (F) Included as part of "Title I Grant Cluster" in determining major programs
- (G) Included as part of "Special Education Grant Cluster" in determining major programs
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers:

Program Title	CFDA Grant	Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2010	\$ 11,979	
Title I Grants to Local Educational Agencies	84.010	2011		\$ 11,979
Special Education_Grants to States	84.027	2010	\$ 7,095	
Special Education_Grants to States	84.027	2011		\$ 7,095
ARRA - Special Education_Grants to States, Recovery Act	84.391	2010	\$ 7,446	
ARRA - Special Education_Grants to States, Recovery Act	84.391	2011		\$ 7,446
Education Technology State Grants	84.318	2010	\$ 524	
Education Technology State Grants	84.318	2011		\$ 524
Improving Teacher Quality State Grants	84.367	2010	\$ 7,143	
Improving Teacher Quality State Grants	84.367	2011		\$ 7,143
Totals			<u>\$ 34,187</u>	<u>\$ 34,187</u>



**Julian & Grube, Inc.**  
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**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Canal Winchester Local School District, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Canal Winchester Local School District's basic financial statements and have issued our report thereon dated November 15, 2011. We noted that the District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Canal Winchester Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education  
Canal Winchester Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Canal Winchester Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the Canal Winchester Local School District, federal awarding agencies and pass-through entities, and others within the Canal Winchester Local School District. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
November 15, 2011





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

**Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Canal Winchester Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Canal Winchester Local School District's major federal programs. The Canal Winchester Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Canal Winchester Local School District's compliance based on our audit.

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

In our opinion, the Canal Winchester Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The Canal Winchester Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Canal Winchester Local School District's internal control over compliance.

Board of Education  
Canal Winchester Local School District

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of the management and Board of Education of the Canal Winchester Local School District, federal awarding agencies and pass-through entities, and others within the Canal Winchester Local School District. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
November 15, 2011

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2011**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<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>	No
<i>(d)(1)(ii)</i>	<i>Were there any 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(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Child Nutrition Cluster: School Breakfast Program - CFDA #10.553 and National School Lunch Program - CFDA #10.555; Special Education_Grants to States - CFDA #84.027 and ARRA-Special Education_Grants to States, Recovery Act - CFDA #84.391; ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act - CFDA #84.394
<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  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2011**

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



## Julian & Grube, Inc.

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### Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Canal Winchester Local School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on December 20, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.  
November 15, 2011

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# Dave Yost • 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  
JANUARY 5, 2012