

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2004***

JOYCE BOYER, TREASURER



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Canal Winchester Local School District, Franklin County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 through June 30, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 24, 2005

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Canal Winchester Local School District

For The Year Ended June 30, 2004

Table of Contents (continued)	Page
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual – General Fund	21
Statement of Fund Net Assets – Proprietary Funds.....	23
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Net Assets – Fiduciary Funds	26
Notes to Basic Financial Statements.....	27 - 56
Schedule of Receipts and Expenditures of Federal Awards	57
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	58 – 59
Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	60 – 61
Schedule of Findings <i>OMB Circular A-133 § .505</i>	62 – 63

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TRIMBLE, JULIAN & GRUBE, INC.

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Independent Auditor’s Report

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

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, (the “District”), as of and for the fiscal year ended June 30, 2004, which collectively comprise the District’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Canal Winchester Local School District, Franklin County, as of June 30, 2004, and the respective change in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2004, on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Page Two
Independent Auditor's Report
Canal Winchester Local School District

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

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
November 26, 2004

Canal Winchester Local School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2004

Our discussion and analysis of the Canal Winchester Local School District's (the "District") financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets increased \$128,679. Net assets of governmental activities increased \$118,584, which represents a 1 % increase from 2003. Net assets of business-type activities increased \$10,095 or 6.38% from 2003.
- General revenues accounted for \$23,843,878 in revenue or 90.43% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,521,479 or 9.56% of total revenues of \$26,365,357.
- The School District had \$25,544,857 in expenses related to governmental activities; only \$1,876,673 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$23,786,768 were adequate to provide for these programs resulting in an increase to net assets from \$13,618,062 to \$13,736,646.
- The School District had \$691,821 in expenses related to business-type activities; a total of \$644,806 was offset by program specific charges for services, grants and contributions. General revenues are a transfer from Governmental Activities of \$57,110. Total revenues were adequate to provide for these programs by \$10,095 resulting in an increased to net assets from \$158,340 to \$168,435.
- The School District's major governmental funds were the General Fund and the Debt Service Fund. The General Fund had \$21,299,400 in revenues and other financing sources and \$21,849,885 in expenditures and other financing uses. The General Fund's fund balance decreased \$550,485 from \$2,600,573 to \$2,050,088. The Debt Service Fund had \$2,848,963 in revenues and other financing sources and \$2,493,278 in expenditures and other financing uses. The Debt Service Fund's fund balance increased \$355,685 from \$709,142 to \$1,064,827.

Using These Basic Financial Statements

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

Canal Winchester Local School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2004

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 School 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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of the School District, the General Fund and the Debt Service Fund are by far the most significant funds and are the only governmental funds reported as major funds.

Reporting the School District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School District.

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

Governmental Activities - Most of the School 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 School District's food service operations are reported as business-type activities.

Reporting The School District's Most Significant Funds

Fund Financial Statements

Our analysis of the School District's major governmental funds begins on page 8. The fund financial statements begin on page 14 and provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State statute, while many other funds are established by the School District to help manage money for particular purposes and compliance with various grant provisions. The School District's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Canal Winchester Local School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2004

Governmental Funds

Most of the School 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 other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Proprietary Funds

Proprietary funds use the accrual basis of accounting; the same as on the entity-wide statements, therefore the statements will essentially match the business-type activities portion of the entity-wide statements.

Fiduciary Funds

The School 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 School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 26. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District As A Whole

The Statement of Net Assets provides the perspective of the School District as a whole. The table below provides a summary of the School District's net assets for 2004 and 2003.

	Net Assets			
	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>	Business-Type Activities <u>2004</u>	Business-Type Activities <u>2003</u>
Current Assets	\$ 17,806,264	\$ 17,763,756	\$ 55,721	\$ 43,781
Capital Assets	<u>41,364,988</u>	<u>42,010,510</u>	<u>145,085</u>	<u>158,369</u>
Total Assets	<u>59,171,252</u>	<u>59,774,266</u>	<u>200,806</u>	<u>202,150</u>
Current Liabilities	13,274,633	13,242,602	32,371	43,810
Long Term Liabilities	<u>32,159,973</u>	<u>32,913,602</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>45,434,606</u>	<u>46,156,204</u>	<u>32,371</u>	<u>43,810</u>
Net Assets:				
Invested in Capital				
Assets, net of debt	9,737,739	9,526,399	145,085	158,369
Restricted	597,954	312,223	-	-
Unrestricted (Deficit)	<u>3,400,953</u>	<u>3,779,440</u>	<u>23,350</u>	<u>(29)</u>
Total Net Assets	\$ <u>13,736,646</u>	\$ <u>13,618,602</u>	\$ <u>168,435</u>	\$ <u>158,340</u>

Canal Winchester Local School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2004

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. However, since this is the first year the School District has prepared financial statements following GASB 34, revenue and expense comparisons to 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Statement of Activities

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>	Business-Type Activities <u>2004</u>	Business-Type Activities <u>2003</u>
Revenues				
Program Revenues				
Charges for Services	\$ 819,183	\$ 905,320	\$ 500,679	\$ 484,032
Operating Grants	<u>1,057,490</u>	<u>867,728</u>	<u>144,127</u>	<u>199,181</u>
Total Program Revenues	<u>1,876,673</u>	<u>1,773,048</u>	<u>644,806</u>	<u>683,213</u>
General Revenues				
Taxes	14,057,750	12,517,254	-	-
Grants and Entitlements	9,526,850	8,014,383	-	-
Investment Earnings	61,836	165,762	-	-
Gain (loss) on Sale of Capital Assets	-	6,527	-	-
Miscellaneous	197,442	202,836	-	-
Transfers	<u>(57,110)</u>	<u>(5,242)</u>	<u>57,110</u>	<u>5,242</u>
Total General Revenues	<u>23,786,768</u>	<u>20,901,520</u>	<u>57,110</u>	<u>5,242</u>
Total Revenues	<u>25,663,441</u>	<u>22,674,568</u>	<u>701,916</u>	<u>688,455</u>
Expenses				
Program Expenses				
Instruction				
Regular	10,249,023	9,694,665	-	-
Special	2,378,335	1,838,115	-	-
Vocational	653,501	586,192	-	-
Support Services				
Pupil	932,198	868,348	-	-
Instructional Staff	1,295,641	1,093,434	-	-
Board of Education	504,061	547,871	-	-
Administration	1,954,977	1,683,892	-	-
Fiscal	639,375	576,379	-	-
Operation & Maintenance	2,324,584	2,452,629	-	-
Pupil Transportation	1,539,348	1,612,330	-	-
Central	140,795	141,985	-	-
Operations of Non-Instructional				
Services	16,739	14,488	-	-
Extracurricular Activities	868,206	806,983	-	-
Facilities Acquisition and				
Construction	399,265	973,458	-	-
Interest and Fiscal Charges	1,648,809	1,684,199	-	-
Food Service	-	-	<u>691,821</u>	<u>719,757</u>
Total Expenses	<u>25,544,857</u>	<u>24,574,968</u>	<u>691,821</u>	<u>719,757</u>
Change in Net Assets	\$ <u>118,584</u>	\$ <u>(1,900,400)</u>	\$ <u>10,095</u>	\$ <u>(31,302)</u>

Canal Winchester Local School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2004

Governmental Activities

Net assets of the School District's governmental activities increased by \$118,584. Program revenues of \$1,876,673 and general revenues of \$23,786,768 were sufficient to offset total governmental expenses of \$25,544,857. Program revenues supported 7.35% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 91.90% of total governmental revenue. Property taxes support 55.03% of total expenses while grants and entitlements supported 37.30% of total expenses. Between these two revenue items, 92.33% of total governmental expenditures were funded.

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 2004 and 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	<u>Governmental Activities</u>			
	<u>Total Cost of Services 2004</u>	<u>Total Cost of Services 2003</u>	<u>Net Cost of Services 2004</u>	<u>Net Cost of Services 2003</u>
Program Expenses				
Instruction:				
Regular	\$ 10,249,023	\$ 9,694,665	\$ 9,711,206	\$ 8,988,310
Special	2,378,335	1,838,115	1,929,821	1,773,719
Vocational	653,501	586,192	653,501	586,192
Support Services:				
Pupil	932,198	868,348	932,198	868,348
Instructional Staff	1,295,641	1,093,434	1,203,038	1,011,457
Board of Education	504,061	547,871	504,061	547,871
Administration	1,954,977	1,683,892	1,801,033	1,348,229
Fiscal	639,375	576,379	629,969	576,379
Operation & Maintenance	2,324,584	2,452,629	2,324,584	2,452,629
Pupil Transportation	1,539,348	1,612,330	1,483,799	1,561,667
Central Services	140,795	141,985	125,795	124,485
Operation of Non-Instructional Services	16,739	14,488	16,739	14,488
Extracurricular Activities	868,206	806,983	304,366	318,989
Facilities Acquisition and Construction	399,265	973,458	399,265	944,958
Interest and Fiscal Charges	<u>1,648,809</u>	<u>1,684,199</u>	<u>1,648,809</u>	<u>1,684,199</u>
Total Expenses	<u>\$ 25,544,857</u>	<u>\$ 24,574,968</u>	<u>\$ 23,668,184</u>	<u>\$ 22,801,920</u>

The dependence upon tax revenues during fiscal year 2004 for governmental activities is apparent, as 92.57% of 2004 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 93.12% in 2004. The School District's taxpayers, as a whole, are by far the primary support for District's students.

Canal Winchester Local School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2004

Business-Type Activities

Business-type activities are the food service operations. This program had revenues of \$701,916 and expenses of \$691,821 for fiscal year 2004. This resulted in an increase to net assets for the fiscal year of \$10,095. Management assesses the performance of this fund to ensure that it is run efficiently.

The School District's Funds

The School District's governmental funds (as presented on the balance sheet on page 14) reported a combined fund balance of \$3,516,225, which is below last year's balance of \$3,745,963. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 2,050,088	\$ 2,600,573	\$ (550,485)
Debt Service	1,064,827	709,142	355,685
Other Governmental	<u>401,310</u>	<u>436,248</u>	<u>(34,938)</u>
Total	\$ <u>3,516,225</u>	\$ <u>3,745,963</u>	\$ <u>(229,738)</u>

General Fund

The School District's General Fund's fund balance decreased by \$550,485, due to a lower interest earnings during 2004 and due to an overall increase in expenditures. The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

<u>Revenues</u>	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Taxes	\$ 11,424,425	\$ 10,281,840	11.11%
Interest Earnings	59,883	134,224	(55.39)
Intergovernmental	9,398,862	8,158,390	15.20
Other Revenue	<u>411,280</u>	<u>390,926</u>	5.20
Total	\$ <u>21,294,450</u>	\$ <u>18,965,380</u>	

Canal Winchester Local School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2004

The property tax revenue for all funds is up about \$1,500,000 increases in the District's property tax base and the county treasurer's certifying greater than the usual percentage of taxes available for advance at June 30, which affects the accrual method of accounting in this comparison. The School District anticipates tax collections will be larger in fiscal year 2005 than in fiscal year 2004.

Intergovernmental revenue increased \$1,240,472 or 15.20% from the prior year. This increase is attributed to an increase in the number of grants the School District received in 2004. The decrease in investment income is due to drastic cuts in interest rates by the Federal Reserve Bank throughout the year. All other revenue remained comparable to 2003.

The table that follows assists in illustrating the expenditures of the General Fund.

<u>Expenditures by Object</u>	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Percentage Change</u>
Instruction	\$ 12,342,652	\$ 11,185,522	10.34%
Support Services	8,804,835	8,180,035	7.64
Extracurricular Activities	400,023	385,391	3.80
Facilities Acquisition and Construction	-	9,281	(100.00)
Total	\$ <u>21,547,510</u>	\$ <u>19,760,229</u>	

The most significant increase was in the area of instruction and support services. This increase is due to negotiated salary increases and experience step increases on the salary schedule.

General Fund Budget Information

The School District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The School District amended its revenue estimates to reflect greater than originally anticipated revenues from taxes, interest and state sources.

The School District utilizes the five-year forecast as the original document from which to form the operating budget. After updating of the forecast for changes in revenue and expenditure assumptions the operating budget begins at the school level. Each school in the School District receives an allocation augmented with resources for daily operation in the specific buildings. The site and department budgets are reviewed periodically to ensure management becomes aware of any significant variations during the year.

Capital Assets

The School District has \$41,510,073 invested in capital assets net of depreciation, with \$41,364,988 attributed to governmental activities. Acquisitions for governmental activities totaled \$152,436 and depreciation was \$792,376. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 9).

Canal Winchester Local School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2004

Debt

At June 30, 2004, the School District had \$31,627,249 in an outstanding debt. The School District paid \$815,000 in principal on bonds and notes payable and \$41,862 on capital leases outstanding during the fiscal year. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements (Note 15).

Management as a tool to manage resources effectively utilizes the five-year forecast of the General Fund and the five-year capital plan.

Current Financial Related Activities

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Joyce Boyer, Treasurer, Canal Winchester Local School District, 290 Washington Street, Canal Winchester, Ohio, 43110, (614) 837-4533.

Canal Winchester Local School District

Statement of Net Assets

June 30, 2004

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,469,908	\$ 22,206	\$ 3,492,114
Cash with Fiscal Agent	617,606	-	617,606
Taxes Receivable	13,582,381	-	13,582,381
Accounts Receivable	18,743	33	18,776
Intergovernmental Receivable	102,745	18,965	121,710
Interest Receivable	14,881	-	14,881
Materials and Supplies Inventory	-	14,517	14,517
Capital Assets:			
Nondepreciable	1,357,784	-	1,357,784
Depreciable, net	40,007,204	145,085	40,152,289
Total Assets	<u>59,171,252</u>	<u>200,806</u>	<u>59,372,058</u>
<u>Liabilities</u>			
Accounts Payable	758,172	8,947	767,119
Accrued Wages and Benefits	1,730,707	8,137	1,738,844
Intergovernmental Payable	270,949	287	271,236
Internal Balances	(15,000)	15,000	-
Deferred Revenue	10,219,258	-	10,219,258
Matured Bonds Payable	1,150	-	1,150
Accrued Interest Payable	134,909	-	134,909
Claims Payable	174,488	-	174,488
Long-Term Liabilities:			
Due Within One Year	1,117,796	-	1,117,796
Due In More Than One Year	31,042,177	-	31,042,177
Total Liabilities	<u>45,434,606</u>	<u>32,371</u>	<u>45,466,977</u>
<u>Net Assets</u>			
Invested In Capital Assets, Net of Related Debt	9,737,739	145,085	9,882,824
Restricted for Debt Service	597,954	-	597,954
Unrestricted	3,400,953	23,350	3,424,303
Total Net Assets	<u>\$ 13,736,646</u>	<u>\$ 168,435</u>	<u>\$ 13,905,081</u>

The Notes to the Financial Statements are an Integral Part of This Statement

Canal Winchester Local School District

Statement of Activities

For The Fiscal Year Ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<u>Governmental Activities</u>			
Instruction:			
Regular Instruction	\$ 10,249,023	\$ 45,850	\$ 491,967
Special Instruction	2,378,335	-	448,514
Vocational Instruction	653,501	-	-
Support Services:			
Pupils	932,198	-	-
Instructional Staff	1,295,641	-	92,603
Board of Education	504,061	-	-
Administration	1,954,977	153,944	-
Fiscal Services	639,375	-	9,406
Operation and Maintenance of Plant	2,324,584	-	-
Pupil Transportation	1,539,348	55,549	-
Central Services	140,795	-	15,000
Community Services	16,739	-	-
Extracurricular Activities	868,206	563,840	-
Operations and Non-Instructional Services	399,265	-	-
Interest and Fiscal Charges	<u>1,648,809</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>25,544,857</u>	<u>819,183</u>	<u>1,057,490</u>
<u>Business-Type Activities</u>			
Food Service	<u>691,821</u>	<u>500,679</u>	<u>144,127</u>
Totals	\$ <u>26,236,678</u>	\$ <u>1,319,862</u>	\$ <u>1,201,617</u>

General Revenues:
 Property Taxes Levied for:
 General Purpose
 Debt Service
 Grants and Entitlements not Restricted to Specific Programs
 Investment Earnings
 Miscellaneous
 Transfers
 Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

The Notes to the Financial Statements are an Integral Part of This Statement

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
\$ (9,711,206)	\$ -	\$ (9,711,206)
(1,929,821)	-	(1,929,821)
(653,501)	-	(653,501)
(932,198)	-	(932,198)
(1,203,038)	-	(1,203,038)
(504,061)	-	(504,061)
(1,801,033)	-	(1,801,033)
(629,969)	-	(629,969)
(2,324,584)	-	(2,324,584)
(1,483,799)	-	(1,483,799)
(125,795)	-	(125,795)
(16,739)	-	(16,739)
(304,366)	-	(304,366)
(399,265)	-	(399,265)
<u>(1,648,809)</u>	<u>-</u>	<u>(1,648,809)</u>
<u>(23,668,184)</u>	<u>-</u>	<u>(23,668,184)</u>
<u>-</u>	<u>(47,015)</u>	<u>(47,015)</u>
<u>(23,668,184)</u>	<u>(47,015)</u>	<u>(23,715,199)</u>
11,687,797	-	11,687,797
2,369,953	-	2,369,953
9,526,850	-	9,526,850
61,836	-	61,836
197,442	-	197,442
<u>(57,110)</u>	<u>57,110</u>	<u>-</u>
<u>23,786,768</u>	<u>57,110</u>	<u>23,843,878</u>
118,584	10,095	128,679
<u>13,618,062</u>	<u>158,340</u>	<u>13,776,402</u>
\$ <u>13,736,646</u>	\$ <u>168,435</u>	\$ <u>13,905,081</u>

Canal Winchester Local School District

Balance Sheet – Governmental Funds

June 30, 2004

	<u>General</u>	<u>Debt Service</u>
<u>Assets</u>		
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 2,321,207	\$ 599,104
Receivables:		
Taxes	11,063,028	2,372,056
Accounts	15,954	-
Interest	14,881	-
Intergovernmental	-	-
Interfund	176,457	-
Total Assets	\$ <u>13,591,527</u>	\$ <u>2,971,160</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	\$ 701,836	\$ -
Accrued Wages and Benefits	1,688,638	-
Intergovernmental Payable	96,202	-
Interfund Payable	-	-
Deferred Revenue	9,054,763	1,905,183
Matured Bonds Payable	-	1,150
Total Liabilities	<u>11,541,439</u>	<u>1,906,333</u>
Fund Balances:		
Reserve for Encumbrances	615,327	-
Reserve for Property Taxes	2,008,265	466,873
Unreserved; Undesignated (deficit) for:		
General Fund	(573,504)	-
Special Revenue Funds	-	-
Debt Service Fund	-	597,954
Capital Projects Fund	-	-
Total Fund Balance	<u>2,050,088</u>	<u>1,064,827</u>
Total Liabilities and Fund Balances	\$ <u>13,591,527</u>	\$ <u>2,971,160</u>

The Notes to the Financial Statements are an Integral Part of This Statement

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 528,256	\$ 3,448,567
147,297	13,582,381
2,789	18,743
-	14,881
102,745	102,745
-	176,457
<u>\$ 781,087</u>	<u>\$ 17,343,774</u>

\$ 55,886	\$ 757,722
41,792	1,730,430
2,336	98,538
161,457	161,457
118,306	11,078,252
-	1,150
<u>379,777</u>	<u>13,827,549</u>

176,754	792,081
28,991	2,504,129
-	(573,504)
320,154	320,154
-	597,954
<u>(124,589)</u>	<u>(124,589)</u>
<u>401,310</u>	<u>3,516,225</u>
<u>\$ 781,087</u>	<u>\$ 17,343,774</u>

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Canal Winchester Local School District

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

June 30, 2004

Total Governmental Funds Balances \$ 3,516,225

Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:

Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds. 41,364,988

Other Long-Term Assets are not available to pay for current-period expenditures and therefore are deferred in the Funds.

Property Taxes 858,994

In the Statement of Activities, Interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (134,909)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in Governmental Activities in the Statement of Net Assets. 463,732

Long-Term Liabilities are not due and payable in the current period and are therefore not reported in the Funds.

General Obligation Bonds and Notes	\$ (31,578,004)	
Capital Lease Payable	(49,245)	
Accrued Pension	(172,411)	
Compensated Absences	<u>(532,724)</u>	
		<u>(32,332,384)</u>

Net Assets of Governmental Activities \$ 13,736,646

The Notes to the Financial Statements are an Integral Part of This Statement

Canal Winchester Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For The Fiscal Year Ended June 30, 2004

	<u>General</u>	<u>Debt Service</u>
<u>Revenues</u>		
Property Taxes	\$ 11,424,425	\$ 2,369,953
Tuition	45,850	-
Transportation Fees	55,549	-
Intergovernmental	9,398,862	238,065
Earnings on Investments	59,883	-
Extracurricular Activities	28,018	-
Classroom Materials and Fees	140,111	-
Miscellaneous	<u>141,752</u>	<u>-</u>
Total Revenues	<u>21,294,450</u>	<u>2,608,018</u>
<u>Expenditures</u>		
Current:		
Instruction:		
Regular Instruction	9,670,113	-
Special Instruction	2,052,832	-
Vocational Instruction	619,707	-
Support Services:		
Pupils	854,590	-
Instructional Staff	1,016,324	-
Board of Education	504,061	-
Administration	1,875,392	-
Fiscal Services	594,866	25,984
Operations and Maintenance of Plant	2,390,465	-
Pupil Transportation	1,445,686	-
Central Services	123,451	-
Extracurricular Activities	400,023	-
Facilities Acquisition and Construction	-	-
Debt Service:		
Principal Payment	-	815,000
Interest and Fiscal Charges	-	<u>1,652,294</u>
Total Expenditures	<u>21,547,510</u>	<u>2,493,278</u>
Excess of Revenues Over (Under) Expenditures	<u>(253,060)</u>	<u>114,740</u>
<u>Other Financing Sources (Uses)</u>		
Sale of Assets	4,950	-
Transfers – In	-	240,945
Transfers – Out	<u>(302,375)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(297,425)</u>	<u>240,945</u>
Net Change in Fund Balances	(550,485)	355,685
Fund Balance, Beginning of Year, Restated	<u>2,600,573</u>	<u>709,142</u>
Fund Balance, End of Year	\$ <u>2,050,088</u>	\$ <u>1,064,827</u>

The Notes to the Financial Statements are an Integral Part of This Statement

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 147,326	\$ 13,941,704
-	45,850
-	55,549
947,413	10,584,340
1,953	61,836
395,711	423,729
-	140,111
<u>60,329</u>	<u>202,081</u>
<u>1,552,732</u>	<u>25,455,200</u>
240,017	9,910,130
285,427	2,338,259
900	620,607
46,691	901,281
245,593	1,261,917
-	504,061
281	1,875,673
13,932	634,782
-	2,390,465
-	1,445,686
15,000	138,451
420,815	820,838
323,334	323,334
-	815,000
-	<u>1,652,294</u>
<u>1,591,990</u>	<u>25,632,778</u>
<u>(39,258)</u>	<u>(177,578)</u>
-	4,950
4,320	245,265
-	<u>(302,375)</u>
<u>4,320</u>	<u>(52,160)</u>
(34,938)	(229,738)
<u>436,248</u>	<u>3,745,963</u>
\$ <u>401,310</u>	\$ <u>3,516,225</u>

Canal Winchester Local School District

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, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (229,738)

Amounts Reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report Capital Outlay 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 exceeded capital outlays in the current period.

Capital Outlay	\$ 152,436	
Depreciation	<u>(792,376)</u>	
Total		(639,940)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net assets. (5,582)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Funds.

Property and Other Taxes	116,046
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Repayment of Debt Principal is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. 856,862

Internal Service Funds are used by management to charge to costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the Internal Service Fund is reported with Governmental Activities. 153,045

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Compensated Absences	(103,233)	
Accrued Pension	(32,361)	
Accrued Interest on Bonds	<u>3,485</u>	
Total		<u>(132,109)</u>

Change in Net Assets of Governmental Activities \$ 118,584

The Notes to the Financial Statements are an Integral Part of This Statement

Canal Winchester Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 9,262,544	\$ 8,971,975	\$ 11,138,402	2,166,427
Tuition	44,324	41,940	36,110	(5,830)
Transportation Fees	72,579	68,675	59,129	(9,546)
Intergovernmental	11,536,810	10,916,242	9,398,888	(1,517,354)
Earnings on Investment	121,825	115,272	99,249	(16,023)
Extracurricular Activities	34,391	32,541	28,018	(4,523)
Classroom Materials and Fees	172,745	163,453	140,733	(22,720)
Miscellaneous	187,074	177,011	152,407	(24,604)
Total Revenue	21,432,292	20,487,109	21,052,936	565,827
Expenditures				
Current:				
Instruction:				
Regular Instruction	9,853,610	9,914,599	9,470,865	443,734
Special Instruction	2,335,551	2,166,608	2,087,355	79,253
Vocational Instruction	618,911	629,416	624,836	4,580
Support Services:				
Pupils	863,739	854,645	850,330	4,315
Instructional Staff	1,061,131	1,034,297	1,020,297	14,000
Board of Education	688,720	675,802	572,757	103,045
Administration	2,016,038	1,933,096	1,889,735	43,361
Fiscal Services	604,998	605,615	553,608	52,007
Operation and Maintenance of Plant	2,621,305	2,593,934	2,374,666	219,268
Pupil Transportation	1,584,440	1,566,260	1,436,229	130,031
Central Services	160,722	136,108	124,175	11,933
Extracurricular Activities	408,878	401,636	400,182	1,454
Facilities Acquisition and Construction	-	-	-	-
Other	50,000	34,787	-	34,787
Total Expenditures	22,868,043	22,546,803	21,405,035	1,141,768
Excess of Revenues Over (Under) Expenditures	(1,435,751)	(2,059,694)	(352,099)	1,707,595

(continued)

The Notes to the Financial Statements are an Integral Part of This Statement

Canal Winchester Local School District

Statement of Revenues, Expenditures and Changes In Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual – General Fund (continued)

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Other Financing Sources (Uses)</u>				
Sale of Assets	5,974	5,974	5,974	-
Transfers – In	1,306	1,306	1,306	-
Advances – In	44,648	44,648	44,648	-
Transfers – Out	(270,945)	(303,681)	(303,681)	-
Advances – Out	-	(176,457)	(176,457)	-
Total Other Financing Sources (Uses)	<u>(219,017)</u>	<u>(428,210)</u>	<u>(428,210)</u>	<u>-</u>
Net Change in Fund Balance	(1,654,768)	(2,487,904)	(780,309)	1,707,595
Fund Balance, Beginning of Year	2,194,070	2,194,070	2,194,070	-
Prior Year Carry Over Encumbrances	<u>918,054</u>	<u>918,054</u>	<u>918,054</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>1,457,356</u>	\$ <u>624,220</u>	\$ <u>2,331,815</u>	\$ <u>1,707,595</u>

The Notes to the Financial Statements are an Integral Part of This Statement

Canal Winchester Local School District

Statement of Fund Net Assets – Proprietary Funds

June 30, 2004

	Business – Type Activities Food Service	Governmental Activities – Internal Service Fund
<u>Assets</u>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 22,206	\$ 21,341
Cash with Fiscal Agent	-	617,606
Accounts Receivable	33	-
Intergovernmental Receivable	18,965	-
Materials and Supplies Inventory	<u>14,517</u>	<u>-</u>
Total Current Assets	55,721	638,947
Non-current Assets:		
Depreciable Capital Assets, net	<u>145,085</u>	<u>-</u>
Total Assets	<u>200,806</u>	<u>638,947</u>
<u>Liabilities</u>		
Accounts Payable	8,947	450
Accrued Wages and Benefits	8,137	277
Intergovernmental Payable	287	-
Interfund Payable	15,000	-
Claims Payable	<u>-</u>	<u>174,488</u>
Total Liabilities	<u>32,371</u>	<u>175,215</u>
<u>Net Assets</u>		
Invested In Capital Assets, Net of Related Debt	145,085	-
Unreserved; Undesignated	<u>23,350</u>	<u>463,732</u>
Total Net Assets	<u>\$ 168,435</u>	<u>\$ 463,732</u>

The Notes to the Financial Statements are an Integral Part of This Statement

Canal Winchester Local School District

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds

For The Fiscal Year Ended June 30, 2004

	Business – Type Activities Food <u>Service</u>	Governmental Activities – Internal <u>Service Fund</u>
<u>Operating Revenues</u>		
Charges for Services	\$ <u>500,679</u>	\$ <u>2,260,917</u>
<u>Operating Expenses</u>		
Salaries and Wages	38,403	277
Fringe Benefits	32,770	-
Contractual Services	600,489	607
Supplies and Materials	1,247	-
Claims Expense	-	2,106,973
Other	5,628	15
Depreciation Expense	<u>13,284</u>	<u>-</u>
Total Operating Expenses	<u>691,821</u>	<u>2,107,872</u>
Operating Income (Loss)	<u>(191,142)</u>	<u>153,045</u>
<u>Non-Operating Revenues</u>		
State Restricted Grants-In-Aid	5,440	-
Federal Restricted Grants-In-Aid	<u>138,687</u>	<u>-</u>
Total Non-Operating Revenues	<u>144,127</u>	<u>-</u>
Income (Loss) before Transfers	(47,015)	153,045
Transfers – In	<u>57,110</u>	<u>-</u>
Change in Net Assets	10,095	153,045
Total Net Assets, Beginning of Year	<u>158,340</u>	<u>310,687</u>
Total Net Assets, End of Year	\$ <u><u>168,435</u></u>	\$ <u><u>463,732</u></u>

The Notes to the Financial Statements are an Integral Part of This Statement

Canal Winchester Local School District

Statement of Cash Flows – Proprietary Funds

For The Fiscal Year Ended June 30, 2004

	Business-Type Activities Food Service	Governmental Activities – Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents:		
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$ 503,734	\$ -
Cash Received from Quasi-External Transactions with Other Funds	-	2,299,357
Cash Payments to Employees for Services	(37,990)	-
Cash Payments for Employee Benefits	(32,241)	-
Cash Payments to Suppliers for Goods and Services	(616,071)	-
Cash Payments for Claims	-	(2,126,845)
Net Cash Provided by (Used for) Operating Activities	<u>(182,568)</u>	<u>172,512</u>
<u>Cash Flows from Noncapital Financing Activities:</u>		
Grants from State Sources	5,440	-
Grants from Federal Sources	137,232	-
Transfers – In	57,110	-
Advances – In	15,000	-
Advances – Out	(17,509)	-
Net Cash Provided by Noncapital Financing Activities	<u>197,273</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	14,705	172,512
Cash and Cash Equivalents Beginning of Year	<u>7,501</u>	<u>466,435</u>
Cash and Cash Equivalents End of Year	\$ <u><u>22,206</u></u>	\$ <u><u>638,947</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used by</u>		
<u>Operating Activities:</u>		
Operating Income (Loss)	\$ (191,142)	\$ 153,045
Depreciation	13,284	-
(Increase) Decrease in Assets:		
Accounts Receivable	3,055	38,440
Inventory	1,166	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(9,319)	15
Intergovernmental Payables	(25)	-
Claims Payable	-	(19,265)
Accrued Wages and Benefits	413	277
Net Cash Provided by (Used for) Operating Activities	\$ <u><u>(182,568)</u></u>	\$ <u><u>172,512</u></u>

Schedule of Non Cash Financing Activities

During the year, the food services enterprise fund received donated commodities of \$ 39,535

The Notes to the Financial Statements are an Integral Part of This Statement

Canal Winchester Local School District

Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2004

	<u>Agency</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 248,778
Accounts Receivable	<u>312,420</u>
Total Assets	<u>\$ 561,198</u>
 <u>Liabilities</u>	
Accounts Payable	\$ 57
Intergovernmental Payable	533,858
Due to Students	<u>27,283</u>
Total Liabilities	<u>\$ 561,198</u>

The Notes to the Financial Statements are an Integral Part of This Statement

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 1: Description of the School District

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.0 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2003, was 2,498.78. The District employed 210 full-time certified employees and 109 full-time non-certificated employees. The District is supervised by the Franklin County Educational Service Center, a separate entity.

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

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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity." A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District:

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations:

Metropolitan Educational Council

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

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

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

South Central Ohio Insurance Consortium

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

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (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 all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the District are used to account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary funds focus on the determination of operating income/loss, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service.

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.

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 funds are student activities and employee benefits.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

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 activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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 a reconciliation 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, with certain limited exceptions. 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. Non-major 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 type.

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

All proprietary funds 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.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

C. Basis of Presentation and Measurement Focus (continued)

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

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property 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 5.) 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 non-exchange 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, interest, tuition, grants, student fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as donated commodities 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 budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Franklin County Budget Commission for tax rate determination.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 2 Summary of Significant Accounting Policies (continued)

E. Budgets (continued)

3. Prior to March 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By October 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which are the legal levels of budgetary control. 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 the appropriation 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 intended to be repaid.
6. Any revisions that alter the legal level of budgetary control for a fund 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 the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2004.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control for the fund.

F. Cash and Cash Equivalents

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The School District's internal service fund had a balance of \$617,606 with the South Central Ohio Insurance Consortium (SCOIC), a claim servicing pool (See Note 10 C). The balance in this account is presented on the financial statements as "Cash with Fiscal Agent".

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

During fiscal 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

Canal Winchester City School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2004. STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2004.

For the District, all investment earnings accrue to the General Fund, Special Revenue Funds and Capital Projects Funds as authorized by Board resolution.

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 School 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.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. The District has no restricted assets as of June 30, 2004.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. As of June 30, 2004 there were no prepaid items for the District.

I. Inventory

On the government-wide financial statements inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

I. Inventory (continued)

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis and is expensed/expended when used. Inventories consist of donated food, purchased food, school supplies held for resale and materials and supplies held for consumption.

J. 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 fixed 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's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

K. 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 and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

L. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. All employees with fifteen or more years of service were included in the calculation of the long-term compensated absences accrual amount.

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

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

In the governmental fund financial statements, the total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. 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 proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences and special termination benefits 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 fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and property taxes.

The reserve for property taxes unavailable represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

O. 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 adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

P. Operating Revenues and Expenses

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

Q. Interfund Activity

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

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

Q. Interfund Activity (continued)

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

R. 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.

S. Estimates

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

Note 3: Budgetary Basis of Accounting

While the District is 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 and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP) and Actual 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 GAAP basis are as follows:

- (a) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
- (b) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
- (c) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 3: Budgetary Basis of Accounting (continued)

	Net Change In Fund Balance
GAAP Basis	\$ (550,485)
Net Adjustment for Revenue Accruals	(194,536)
Net Adjustment for Expenditure Accruals	710,815
Outstanding Encumbrances	<u>(746,103)</u>
Budget Basis	\$ <u><u>(780,309)</u></u>

Note 4: Deposits and Investments

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies 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 monies 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.

Protection of the School 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.

Interim monies are to be deposited or invested in the following securities:

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

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 4: Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances 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 rating classifications by at least two nationally recognized rating agencies.

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 it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At year-end, the carrying amount of the District's deposits was \$2,082,195 and the bank balance was \$2,604,759. Of the deposit, \$617,606 was being held on the District's behalf with fiscal agents. \$116,150 of the bank balance was covered by federal depository insurance and \$1,871,003 was uninsured and uncollateralized. Although all state 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 Federal Deposit Insurance Corporation.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 4: Deposits and Investments (continued)

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

	<u>Category 2</u>	<u>Carrying Value</u>	<u>Fair Value</u>
FHLMC Notes	\$ 751,966	\$ 751,966	\$ 751,966
FNMA Notes	499,609	499,609	499,609
FHLB Notes	1,001,580	1,001,580	1,001,580
STAROhio*	-	23,148	23,148
Total	\$ <u>2,253,155</u>	\$ <u>2,276,303</u>	\$ <u>2,276,303</u>

* - not subject to categorization

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,740,892	\$ -
Investments which are part of the cash management pool:		
Federal Agency Securities	(2,253,155)	2,253,155
Investment in State Treasurer's Investment Pool	(23,148)	23,148
Cash with Fiscal Agent	617,606	-
GASB Statement No. 3	\$ <u>2,082,195</u>	\$ <u>2,276,303</u>

Note 5: Property Taxes

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

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 5: Property Taxes (continued)

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) are for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2004 taxes were collected are:

Real Property – Commercial/Industrial	\$ 47,229,680
Real Property – Residential/Agricultural	246,494,510
Real Property – Public Utilities	16,800
Real Property – Minerals	67,020
Personal Property – General	21,800,651
Personal Property – Public Utilities	<u>19,389,850</u>
Total Assessed Value	\$ <u>334,998,511</u>

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 later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Canal Winchester Local School District. The County Auditor periodically advances to the District its portion of the taxes. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 5: Property Taxes (continued)

Accrued property taxes receivable include delinquent taxes outstanding, real, personal and public utility taxes which became measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current fiscal year operations. The amount available to the District as an advance at June 30, 2004 is recognized as revenue. At June 30, 2004, \$2,008,265 was available as an advance to the General Fund, \$466,873 for the Debt Service Fund and \$28,991 for Other Governmental Funds. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

Note 6: Income Tax

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

Note 7: Receivables

Receivables at June 30, 2004 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities

Taxes - current and delinquent	\$ 13,582,381
Accounts	18,743
Intergovernmental	102,745

Business-type Activities

Accounts	33
Intergovernmental	18,965
Total receivables	\$ <u>13,722,867</u>

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 8: Interfund Transactions

- A. Interfund balances consisted of the following at June 30, 2004, as reported on the fund statement.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 161,457
General	Food service	<u>15,000</u>
		\$ <u>176,457</u>

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.

- B. Interfund Transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund statements.

	<u>Amount</u>
Transfers from General Fund to:	
Debt Service	\$ 240,945
Food Service	57,110
Other governmental funds	<u>4,320</u>
	\$ <u>302,375</u>

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

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 9: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance June 30, 2003	Additions	Disposals	Balance June 30, 2004
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 1,357,784	\$ -	\$ -	\$ 1,357,784
Capital Assets, being depreciated:				
Buildings	40,150,987	-	-	40,150,987
Furniture and Equipment	2,806,651	83,716	(16,921)	2,873,446
Vehicles	1,733,312	68,720	-	1,802,032
Total Capital Assets, being depreciated	<u>44,690,950</u>	<u>152,436</u>	<u>(16,921)</u>	<u>44,826,465</u>
Less Accumulated Depreciation:				
Buildings	2,559,912	432,961	-	2,992,873
Furniture and Equipment	816,676	202,062	(11,339)	1,007,399
Vehicles	661,636	157,353	-	818,989
Total Accumulated Depreciation	<u>4,038,224</u>	<u>792,376</u>	<u>(11,339)</u>	<u>4,819,261</u>
Total Capital Assets being depreciated, net	<u>40,652,726</u>	<u>(639,940)</u>	<u>(5,582)</u>	<u>40,007,204</u>
Governmental Activities Capital Assets, Net	<u>\$ 42,010,510</u>	<u>\$ (639,940)</u>	<u>\$ (5,582)</u>	<u>\$ 41,364,988</u>
Business-Type Activities:				
Furniture and Equipment	\$ 304,528	\$ -	\$ -	\$ 304,528
Vehicles	2,601	-	-	2,601
Less Accumulated Depreciation	<u>(148,760)</u>	<u>(13,284)</u>	<u>-</u>	<u>(162,044)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 158,369</u>	<u>\$ (13,284)</u>	<u>\$ -</u>	<u>\$ 145,085</u>

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 9: Capital Assets (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 351,291
Special	40,483
Vocational	18,092
Support Services:	
Pupil	25,612
Instructional Staff	33,724
Administration	71,702
Fiscal	4,215
Operation and Maintenance of Plant	34,067
Pupil Transportation	154,820
Central Services	338
Community Services	16,520
Academic	300
Extracurricular Activities	<u>41,212</u>
Total Depreciation Expense	\$ <u>792,376</u>

Note 10: 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 employees and natural disasters. During fiscal year 2004, the District has contracted with commercial carriers for property and general liability insurance.

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

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

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 10: Risk Management (continued)

B. Worker's Compensation

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

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

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$174,488, at June 30, 2004.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 10: Risk Management (continued)

C. Health Insurance (continued)

A summary of changes in self-insurance claims for the year ended June 30, 2004:

	<u>2004</u>	<u>2003</u>
Claim Liabilities at Beginning of Year	\$ 193,753	\$ 277,684
Incurred Claims	2,106,973	1,791,503
Claims Paid	<u>(2,126,238)</u>	<u>(1,875,434)</u>
Claim Liabilities at End of Year	\$ <u>174,488</u>	\$ <u>193,753</u>

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

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

Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

Note 11: Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a costsharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$342,970, \$320,559 and \$298,440, respectively; 43.1 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 11: Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System

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

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,317,061, \$1,190,707, and \$1,093,704 respectively; 82.5 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$18,423 made by the School District and \$40,457 made by the plan members.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 11: Defined Benefit Pension Plans (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board members contribute to SERS.

Note 12: Post-Employment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2003, the Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$94,076 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$185,138.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 12: Post-Employment Benefits (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 13: Compensated Absences

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

<u>Eleven Month Administrators</u>		<u>Twelve Month Administrators</u>	
Years Service	Vacation Days	Years Service	Vacation Days
0-15	15	0-15	20
16-beyond	20	16-beyond	25

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

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

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
0-5	10
6-10	12
11-15	15
16-beyond	20

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

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

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 13: Compensated Absences (continued)

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

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

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

Note 14: Contingencies

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District at June 30, 2004.

B. Litigation

The District is party to legal proceedings. The District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

Note 15: Long-Term Liabilities

Changes in long-term debt activity for the year ended June 30, 2004 was as follows:

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds	\$ 31,773,223	\$ -	\$ 635,000	\$ 31,138,223	\$ 760,000
H.B. 264 Energy Bonds	463,781	-	145,000	318,781	155,000
School Bus Notes	156,000	-	35,000	121,000	37,000
Capital Leases Payable	91,107	-	41,862	49,245	41,985
Compensated Absences Payable	429,491	103,233	-	532,724	123,811
	<u>\$ 32,913,602</u>	<u>\$ 103,233</u>	<u>\$ 856,862</u>	<u>\$ 32,159,973</u>	<u>\$ 1,117,796</u>

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 15: Long-Term Liabilities (continued)

General Obligation Bonds:

\$13,300,000 of the outstanding general obligation bonds relates to a new project issued April, 1998, for which bonds were issued for the purpose of constructing and equipping a new elementary school and improving the site thereof. These bonds mature December 2025 and have an interest rate of 5.3%.

\$105,000 of the outstanding general obligation bonds relate to a new project issued May, 1998, for which bonds were issued for the purpose of constructing and equipping a modular facility on the high school site for the administrative services. These bonds mature June 2008. This issue is funded through revenue generated from .01 of one percent of the inside millage and have an interest rate of 5.55%.

\$2,434,860 of the outstanding general obligation bonds relate to a project issued June, 1993, for which bonds were issued for the purpose of constructing and equipping a new high school and improving the site thereof. These bonds mature December 2013, and have an interest rate of 5.317%.

\$25,000 of the outstanding general obligation bonds relates to a project issued February, 1981, for which bonds were issued for the purpose of renovation of the middle/elementary building and purchase of school busses. These bonds mature December 2003, and have an interest rate of 7.02%.

\$890,000 of the outstanding general obligation bonds relates to a project issued May, 2000, for which bonds were issued for the purpose of constructing a new intermediate building, an addition to the high school and renovations to the current intermediate building. These bonds mature June, 2028, and have an interest rate of 6.375%.

\$15,018,363 of the outstanding general obligation bonds relates to a project issued November, 2001, for which bonds were issues for the purpose of constructing a new intermediate building, an addition to the high school and renovations to the current intermediate building. These bonds mature December, 2028, and have an interest rate of 5.01%.

The annual maturities of the general obligation bonds as of June 30, 2004, and related interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 760,000	\$ 1,586,504	\$ 2,346,504
2006	884,175	1,876,702	2,760,877
2007	231,147	1,845,714	2,076,861
2008	374,538	1,821,243	2,195,781
2009	605,000	1,502,487	2,107,487
2010-14	4,972,475	7,112,993	12,085,468
2015-19	5,765,888	6,909,603	12,675,491
2020-24	10,820,000	3,269,475	14,089,475
2025-29	<u>6,725,000</u>	<u>644,466</u>	<u>7,369,466</u>
	<u>\$ 31,138,223</u>	<u>\$ 26,569,187</u>	<u>\$ 57,707,410</u>

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 15: Long-Term Liabilities (continued)

Capital Leases Payable:

The District has entered into capital leases for multiple copiers. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term and have been recorded at the present value of their future minimum lease payments as of inception date. Capital lease payments have been reflected as program/function expenditures in the basic financial statements.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 41,985	\$ 1,523	\$ 43,508
2006	<u>7,260</u>	<u>-</u>	<u>7,260</u>
	<u>\$ 49,245</u>	<u>\$ 1,523</u>	<u>\$ 50,768</u>

State Construction Loan:

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

School Bus Notes:

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

The annual maturities of the notes as of June 30, 2004, and related interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 37,000	\$ 6,577	\$ 43,577
2006	41,000	4,579	45,579
2007	<u>43,000</u>	<u>2,367</u>	<u>45,367</u>
	<u>\$ 121,000</u>	<u>\$ 13,523</u>	<u>\$ 134,523</u>

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 15: Long-Term Liabilities (continued)

H. B. 264 Energy Bonds:

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

The annual maturities of the bonds as of June 30, 2004, and related interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 155,000	\$ 18,330	\$ 173,330
2006	<u>163,781</u>	<u>9,417</u>	<u>173,198</u>
	<u>\$ 318,781</u>	<u>\$ 27,747</u>	<u>\$ 346,528</u>

Debt Limitations:

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation, unless approved by the State Superintendent of Instruction. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has issued \$150,000 in unvoted debt; the District's unvoted debt limit is \$30,149,866. The voted debt limit at June 30, 2004 is \$334,999.

Note 16: Set-Aside Calculations

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years the School District was also required to set aside money for budget stabilization.

Canal Winchester Local School District

Notes to Basic Financial Statements

June 30, 2004

Note 16: Set-Aside Calculations (continued)

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

	Textbooks Instructional Materials Reserve	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2003	\$ -	\$ -
Carryover Credit from Prior Year	(931,482)	-
Current Year Set-Aside Requirements	339,567	339,567
Qualifying Disbursements	<u>(695,596)</u>	<u>(744,852)</u>
Total	\$ <u>(1,287,511)</u>	\$ <u>(405,285)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years as of June 30, 2004	\$ <u>(1,287,511)</u>	\$ <u>-</u>
Set-Aside Reserve Balance as of June 30, 2004	\$ <u>-</u>	\$ <u>-</u>

The District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amounts below zero. This amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 17: School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

SUPPLEMENTAL DATA

**CANAL WINCHESTER LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A), (B) Food Distribution	10.550	N/A	\$ -	\$ 39,535	\$ -	\$ 39,535
(A), (C) National School Lunch	10.555	046946-LLP4-2003	34,125		34,125	
(A), (C) National School Lunch	10.555	046946-LLP4-2004	103,107		103,107	
Total U.S. Department of Agriculture and Nutrition Cluster			<u>137,232</u>	<u>39,535</u>	<u>137,232</u>	<u>39,535</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
(E) Title I - Grants to Local Educational Agencies	84.010	046946-C1S1-2003	4,873		6,213	
(E) Title I - Grants to Local Educational Agencies	84.010	046946-C1S1-2004	194,035		174,174	
Total Title I			<u>198,908</u>		<u>180,387</u>	
(F) Special Education: Grants to States	84.027	046946-6BSF-2003-P	10,193		5,262	
(F) Special Education: Grants to States	84.027	046946-6BSF-2004	165,613		228,852	
Total Special Education: Grants to States			<u>175,806</u>		<u>234,114</u>	
(G) Safe and Drug-Free Schools	84.186	046946-DRS1-2003	(174)		-	
(G) Safe and Drug-Free Schools	84.186	046946-DRS1-2004	7,414		7,477	
Total Safe and Drug-Free Schools			<u>7,240</u>		<u>7,477</u>	
(H) State Grants for Innovative Programs	84.298	046946-C2S1-2003	4,880		7,334	
(H) State Grants for Innovative Programs	84.298	046946-C2S1-2004	14,133		9,941	
Total State Grants for Innovative Programs			<u>19,013</u>		<u>17,275</u>	
(I) Technology Literacy Challenge Fund Grants	84.318	046946-TJS1-2003	(100)		-	
(I) Technology Literacy Challenge Fund Grants	84.318	046946-TJS1-2004	6,376		5,823	
Total Technology Literacy Grant Funds			<u>6,276</u>		<u>5,823</u>	
Title VI-R - Class Size Reduction	84.340	046946-AVS1-2003	50		50	
(J) Assistive Technology Infusion Project	84.352A	046946-ATS4-2002	2,549		2,549	
(K) Improving Teacher Quality	84.367	046946-TRS1-2003	1,409		-	
(K) Improving Teacher Quality	84.367	046946-TRS1-2004	44,250		53,166	
Total Improving Teacher Quality			<u>45,659</u>		<u>53,166</u>	
Total U.S. Department of Education			<u>455,501</u>		<u>500,841</u>	
Total Federal Financial Assistance			<u>\$ 592,733</u>	<u>\$ 39,535</u>	<u>\$ 638,073</u>	<u>\$ 39,535</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs
 (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
 (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
 (D) This schedule was prepared on the cash basis of accounting.
 (E) Amount of \$1,935 carried over into fiscal year 2004 grant period based on Ohio Department of Education administrative action.
 (F) Amount of \$833 carried over into fiscal year 2004 grant period based on Ohio Department of Education administrative action.
 (G) Amount of \$174 carried over into fiscal year 2004 grant period based on Ohio Department of Education administrative action.
 (H) Amount of \$230 carried over into fiscal year 2004 grant period based on Ohio Department of Education administrative action.
 (I) Amount of \$100 carried over into fiscal year 2004 grant period based on Ohio Department of Education administrative action.
 (J) This grant originates with the U.S. Department of Education and is passed through the Ohio Department of Education and then through the Ohio School Facilities Commission. The Ohio School Facilities Commission then passes it onto the District

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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

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

We have audited basic 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, (the “District”) as of and for the fiscal year ended June 30, 2004, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated November 26, 2004.

Board of Education
Canal Winchester Local School District

Compliance and Other Matters

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

This report is intended solely for the information of the Board and management of the Canal Winchester Local School District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Trimble, Julian & Grube, Inc.
November 26, 2004

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

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

Compliance

We have audited the compliance of Canal Winchester Local School District, Franklin County (the “District”) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2004. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District’s management. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

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

Board of Education
Canal Winchester Local School District

In our opinion, the Canal Winchester Local School District, Franklin County, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2004.

Internal Control Over Compliance

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

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

This report is intended solely for the information of the Board of Education and management of the Canal Winchester Local School District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Trimble, Julian & Grube, Inc.
November 26, 2004

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program:	Title I: Grants to Local Educational Agencies, CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

**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.



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**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
FEBRUARY 10, 2005**