



**CLARK - SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CLARK - SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Clark-Shawnee Local School District
Clark County
1561 East Possum Road
Springfield, Ohio 45502

To the Board of Education:

We have audited the accompanying basic financial statements of the Clark - Shawnee Local School District, Clark County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Clark - Shawnee Local School District, Clark County, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

We performed our audit to form an opinion on the basic financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information 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.

Jim Petro
Auditor of State

February 8, 2002

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Unaudited)**

The discussion and analysis of Clark-Shawnee Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2001. 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 2001 are as follows:

- In total, net assets increased \$1,843,989, which represents a 1.37 percent increase from 2000.
- General revenues accounted for \$14,608,721 in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,199,551 or 13 percent of total revenues of \$16,808,272.
- Total assets of governmental activities increased by \$2,051,470 as cash and cash equivalents increased by \$1,562,405, receivables decreased by \$2,946 and capital assets increased by \$476,278.
- The School District had \$14,964,283 in expenses; only \$2,199,551 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$14,608,721 were adequate to provide for these programs.
- Among major funds, the General Fund had \$14,242,053 in revenues and \$13,587,494 in expenditures. The General Fund's balance decreased \$339,118 over 2000. This decrease was anticipated by the Board of Education. The School District transferred \$1,000,000 from the General Fund to the Permanent Improvement Capital Projects Fund. The balance available to transfer is a result of being 3 ½ years into a five-year emergency levy. The property tax increase generated revenue in excess of expenditures during the first half of the levy period that increased the General Fund balance. This elevated balance will offset the deficit spending that will occur the second half of the levy period.

Using this General Accepted Accounting Principals Report (GAAP)

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School 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 nonmajor funds presented in total in one column. In the case of Clark-Shawnee Local School District, the General Fund is by far the most significant fund.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Unaudited-Continued)**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2001?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business like activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

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 the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Unaudited-Continued)**

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2001 compared to 2000:

	Table 1 Net Assets	
	2000	2001
Assets		
Current and Other Assets	\$11,627,152	\$13,202,344
Capital Assets	5,695,749	6,172,027
Total Assets	17,322,901	19,374,371
Liabilities		
Long-Term Liabilities	1,353,214	1,221,445
Other Liabilities	7,864,097	8,203,347
Total Liabilities	9,217,311	9,424,792
Net Assets		
Invested in Capital Assets, Net of Debt	5,294,484	5,893,943
Restricted	674,841	1,991,510
Unrestricted	2,136,265	2,064,126
Total Net Assets	\$ 8,105,590	\$ 9,949,579

Total assets of governmental activities increased by \$2,051,470 as cash and cash equivalents increased by \$1,562,405, receivables decreased by \$2,946 and capital assets increased by \$476,278. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$72,139.

Table 2 shows the changes in net assets for fiscal year 2000 and 2001.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Unaudited-Continued)**

Table 2
Changes in Net Assets

	2000	2001	Percentage Change
Revenues			
Program Revenues:			
Charges for Services	\$1,038,042	\$1,128,286	8.69%
Operating Grants and Contributions	759,019	923,781	21.71
Capital Grants and Contributions	1,000	147,484	146.48
General Revenues:			
Property Taxes	7,404,867	7,322,557	(1.11)
Grants and Entitlements	5,987,450	6,798,804	13.55
Other	421,657	487,360	15.58
Total Revenues	<u>15,612,035</u>	<u>16,808,272</u>	7.66
Program Expenses			
Instruction	7,819,051	8,518,006	8.94
Support Services:			
Pupils and Instructional Staff	1,040,666	942,660	(9.42)
Board of Education, Administration, Fiscal and Business	1,710,998	1,961,996	14.67
Operation and Maintenance of Plant	1,262,229	1,340,602	6.21
Pupil Transportation	685,796	802,856	17.07
Central	35,441	33,375	(5.83)
Operation of Non-Instructional Services	588,153	641,552	9.09
Extracurricular Activities	621,420	701,010	12.81
Interest and Fiscal Charges	29,215	22,226	(23.92)
Total Expenses	<u>13,792,969</u>	<u>14,964,283</u>	8.49
Increase in Net Assets	<u>\$ 1,819,066</u>	<u>\$ 1,843,989</u>	1.37

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes made up 44 percent of revenues for governmental activities for the Clark-Shawnee Local School District for fiscal year 2001.

The School District voters replaced a five-year emergency levy in May 1997 for collection in calendar years 1998-2002. This levy at 5.94 mills generates approximately \$1,300,000 in property tax revenue per year. The passage of this levy placed the School District in a stable financial status through 2002 barring a major structural catastrophe. The voters also approved a 1.9 mill permanent improvement levy which generates approximately \$415,000 in property tax revenue per year. These monies are funding large improvements to the five school buildings such as window replacement and restroom renovation. This levy also expires in 2002.

Instruction comprises 57 percent of district expenses. Support services expenses make up 34 percent of the expenses.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Unaudited-Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

	Table 3			
	<u>Total Cost of Services 2000</u>	<u>Net Cost of Services 2000</u>	<u>Total Cost of Services 2001</u>	<u>Net Cost of Services 2001</u>
Instruction	\$7,819,051	\$7,306,554	\$8,518,006	\$7,454,005
Support Services:				
Pupils and Instructional Staff	1,040,666	900,446	942,660	871,688
Board of Education, Administration Fiscal and Business	1,710,998	1,697,294	1,961,996	1,953,377
Operation and Maintenance of Plant	1,262,229	1,216,188	1,340,602	1,257,132
Pupil Transportation	685,796	640,665	802,856	802,697
Central	35,441	35,441	33,375	23,241
Operation of Non-Instructional Services	588,153	(29,604)	641,552	24,680
Extracurricular Activities	621,420	198,709	701,010	355,686
Interest and Fiscal Charges	29,215	29,215	22,226	22,226
Total Expenses	<u><u>\$13,792,969</u></u>	<u><u>\$11,994,908</u></u>	<u><u>\$14,964,283</u></u>	<u><u>\$12,764,732</u></u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the district.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Extracurricular activities includes expense related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Unaudited-Continued)**

The dependence upon tax revenues is apparent. Over 88 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 86 percent. The community, as a whole, is the primary support for the Clark-Shawnee Local School District.

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,626,781 and expenditures of \$15,578,878. The net change in fund balance for the year was significant in the General Fund and the Permanent Improvement Capital Projects Fund which had a decrease of \$345,441 and an increase of \$1,254,715, respectively.

These changes were caused by a \$1,000,000 transfer from the General Fund to the Permanent Improvement Capital Projects Fund. As previously discussed, the transfer was possible because the School District received voter approval for a 5.94 mill operating levy in May of 1997. This levy which started in 1998 will be received until 2002, and this secures the financial stability of the School District.

General Fund Budgeting Highlights

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

During the course of the fiscal 2001 year, the School District amended its General Fund budget numerous times, which resulted in appropriations decreasing \$1,017,698, a 7 percent decrease. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to year end, the School District passed appropriations to match expenditures plus encumbrances.

Salary costs proved to be only slightly higher than anticipated in the original budget due to the mid-year addition of a middle school teacher at Possum School and appropriated amounts were shifted due to unanticipated severance payoffs to retirees. The overall decrease in estimated expenditures is largely due to the encumbrance of a large renovation project at Shawnee High School to the science wing that proved to be under the original estimate. The project totaled nearly \$500,000 and was only partially completed at fiscal year end.

For the General Fund, the final budget basis revenue and other financing sources estimate was \$16,506,483. The original budgeted estimate was \$13,175,874.

During fiscal year 2001, the School District budgeted \$8,197,432 and \$7,561,876 for property and other taxes and intergovernmental revenues, respectively. The School District only received \$7,323,446 in property and other taxes revenue and \$6,755,651 in intergovernmental revenue, resulting in unfavorable variances for the fiscal year. These variances were simply caused by over-estimation of these revenue line items.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Unaudited-Continued)**

Capital Assets

At the end of the fiscal year 2001, the School District had \$6,172,027 invested in land, buildings, furniture and equipment, and vehicles.

Table 4 shows fiscal 2001 balances compared to 2000.

Table 4
Capital Assets (Net of Depreciation) at June 30,

	2000	2001
Land	\$205,827	\$205,827
Buildings and Improvements	3,379,323	3,880,579
Furniture and Equipment	1,220,598	1,249,276
Vehicles	890,001	836,345
Totals	\$5,695,749	\$6,172,027

Overall capital assets increased \$476,278 from fiscal year 2000 to fiscal year 2001. Increases in capital assets (primarily buildings and improvements, equipment and vehicles) were offset by depreciation expense for the year.

The majority of equipment purchased during fiscal year 2001 was for new computer equipment throughout the School District.

As fiscal year end, the School District had contractual purchase commitments totaling \$117,658 with Capital Aluminum and Glass, Robert Oldham, Hauck Brothers, Advance Mechanical, and Hemm Glass for improvements at three of the School buildings.

Debt Administration

At June 30, 2001, the School District only had a \$240,000 energy conservation note as outstanding debt, \$55,000 due within one year. This note was originally dated July 15, 1995, in the amount of \$515,000 and will be paid off in 2005. The project updated the School District's energy management system, retrofitted lighting, and added technology cabling.

Table 5
Outstanding Debt at June 30,

	2000	2001
1995 Energy Conservation Note	\$290,000	\$240,000

At June 30, 2001, the School District's overall legal debt margin was \$23,916,105, the energy conservation debt margin was \$2,140,008 and the unvoted debt margin was \$264,445.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Unaudited-Continued)**

Current Financial Issues and Concerns

The Clark-Shawnee Local School District is financially stable. The School District is proud of its community support of the public schools. As the preceding information shows, the School District will, within one calendar year, formulate plans to minimally renew the emergency levy. The Board of Education approved the concept of block scheduling at Shawnee High School which started in the fall of the 2000 school year. This shift, along with increased enrollment, required four additional staff members to be hired at the school building. To alleviate large classes that existed, additional staff was hired at Possum and Rockway Schools. These factors make the need for a replacement levy to be in place prior to calendar 2003 almost a certainty.

A concern that remains in the forefront of the minds of the administration and Board of Education surrounds the potential ramifications of forced revenue sharing with the Springfield City School District. This loss of revenue would stem from the annexation of proposed industrial property land from Springfield Township to Springfield City Corporation. Being unaware of the size of this loss looms heavily on the financial outlook of this School District.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system of school funding, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. The legislators and government officials continue to negotiate the plan for improvement of the financing of public schools in the State of Ohio.

In comparison to other school districts in the state, the Clark-Shawnee Local School District would not be considered a School District suffering with low wealth. Therefore, the Clark-Shawnee Local School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the court, the State may require redistribution of commercial and industrial property tax. With 23 percent of the School District's wealth coming from business and industry, this could have a significant negative impact on the School District's residential taxpayers.

Both scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

During the 2001-02 school year, Clark-Shawnee will review preliminary plans and recommendations from the Ohio Facilities Commission. This committee will inform the Board of Education of their fifty-two million-dollar plan to construct new and renovate existing facilities. This situation will require a commitment by the administration and Board of Education to monitor and set reasonable goals for Clark-Shawnee Local Schools.

In conclusion, the Clark-Shawnee Local School District has committed itself to financial excellence for many years. The School District has required the passage of additional operating millage only twice in the previous twenty-five years. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Julia A. Turner, Treasurer at Clark-Shawnee Local School District, 1561 East Possum Road, Springfield, Ohio 45502 or email at spr_tres@mveca.org.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2001**

	<u>Governmental Activities</u>
Assets:	
Cash and Cash Equivalents	\$5,289,001
Accounts Receivable	5,496
Intergovernmental Receivable	309,287
Inventory of Supplies and Materials	56,715
Prepaid Items	23,492
Property and Other Taxes Receivable	7,459,697
Payment in Lieu of Taxes Receivable	53,656
Cash and Cash Equivalents With Fiscal Agents	5,000
Depreciable Capital Assets, Net	5,966,200
Land	205,827
Total Assets	<u>19,374,371</u>
Liabilities:	
Accounts Payable	125,987
Accrued Wages and Benefits Payable	1,259,162
Intergovernmental Payable	379,213
Deferred Revenue	6,402,154
Accrued Interest Payable	1,030
Vacation Leave Payable	13,500
Matured Sick Leave Payable	17,301
Matured Bond Payable	5,000
Long Term Liabilities:	
Due Within One Year	92,293
Due In More Than One Year	1,129,152
Total Liabilities	<u>9,424,792</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	5,893,943
Restricted for:	
Special Revenue	146,294
Capital Projects	1,617,825
Debt Service	116,021
Other Purposes	111,370
Unrestricted	2,064,126
Total Net Assets	<u><u>\$9,949,579</u></u>

See Accompanying Notes to the Basic Financial Statements.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2001**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges For Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$7,041,092	\$243,843	\$222,716	\$147,484	(\$6,427,049)
Special	1,184,543	25,755	424,203		(734,585)
Vocational	278,526				(278,526)
Adult/Continuing	13,845				(13,845)
Support Services:					
Pupils	487,763		10,130		(477,633)
Instructional Staff	454,897		60,842		(394,055)
Board of Education	19,443				(19,443)
Administration	1,511,883		7,912		(1,503,971)
Fiscal	410,624		707		(409,917)
Business	20,046				(20,046)
Operation and Maintenance of Plant	1,340,602		83,470		(1,257,132)
Pupil Transportation	802,856		159		(802,697)
Central	33,375		10,134		(23,241)
Operation of Non-Instructional Services	641,552	513,364	103,508		(24,680)
Extracurricular Activities	701,010	345,324			(355,686)
Interest and Fiscal Charges	22,226				(22,226)
Total Governmental Activities	\$14,964,283	\$1,128,286	\$923,781	\$147,484	(\$12,764,732)

General Revenues:

Property Taxes Levied for:

General Purposes	6,898,862
Capital Outlay	423,695

Grants and Entitlements not Restricted to

Specific Programs	6,798,804
Payment in Lieu of Taxes	106,800
Investment Earnings	294,279
Miscellaneous	86,281

Total General Revenues 14,608,721

Change in Net Assets 1,843,989

Net Assets Beginning of Year 8,105,590

Net Assets End of Year \$9,949,579

See Accompanying Notes to the Basic Financial Statements.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2001**

	<u>General</u>	<u>Permanent Improvement Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,255,272	\$1,461,566	\$460,793	\$5,177,631
Receivables:				
Property and Other Taxes	7,046,132	413,565		7,459,697
Payment in Lieu of Taxes	53,656			53,656
Accounts	3,752		1,744	5,496
Intergovernmental	145,231		164,056	309,287
Inventory of Supplies and Materials	41,682		15,033	56,715
Prepaid Items	23,492			23,492
Cash and Cash Equivalents With Fiscal Agents			5,000	5,000
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	111,370			111,370
Total Assets	<u>\$10,680,587</u>	<u>\$1,875,131</u>	<u>\$646,626</u>	<u>\$13,202,344</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	92,886	14,705	18,396	125,987
Accrued Wages and Benefits Payable	1,145,008		114,154	1,259,162
Intergovernmental Payable	240,953		22,655	263,608
Matured Sick Leave Payable	17,301			17,301
Deferred Revenue	6,562,780	379,668	16,833	6,959,281
Matured Bond Payable			5,000	5,000
Total Liabilities	<u>8,058,928</u>	<u>394,373</u>	<u>177,038</u>	<u>8,630,339</u>
Fund Balances				
Reserved for Encumbrances	404,299	270,561	50,329	725,189
Reserved for Inventory of Supplies and Materials	41,682		15,033	56,715
Reserved for Property Taxes	667,903	33,897		701,800
Reserved for Budget Stabilization	51,799			51,799
Reserved for Textbooks/Instructional Materials	59,571			59,571
Unreserved, Designated for Budget Stabilization	294,170			294,170
Unreserved, Undesignated, Reported in:				
General Fund	1,102,235			1,102,235
Special Revenue Funds			175,240	175,240
Debt Service Fund			116,021	116,021
Capital Projects Funds		1,176,300	112,965	1,289,265
Total Fund Balances	<u>2,621,659</u>	<u>1,480,758</u>	<u>469,588</u>	<u>4,572,005</u>
Total Liabilities and Fund Balances	<u>\$10,680,587</u>	<u>\$1,875,131</u>	<u>\$646,626</u>	<u>\$13,202,344</u>

See Accompanying Notes to the Basic Financial Statements.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2001**

Total Governmental Fund Balance	\$4,572,005
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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. These assets consist of:

Land	205,827	
Building and Improvements	5,621,446	
Furniture and Equipment	1,979,640	
Vehicles	1,313,376	
Accumulated Depreciation	(2,948,262)	
Total Capital Assets		6,172,027

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	557,127
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Capital Leases Payable	(38,084)	
Notes Payable	(240,000)	
Accrued Interest on Notes	(1,030)	
Vacation Leave Payable	(13,500)	
Compensated Absences	(943,361)	
Intergovernmental Payable	(115,605)	
Total Liabilities		(1,351,580)

Net assets of Governmental Activities	\$9,949,579
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See Accompanying Notes to the Basic Financial Statements.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>General</u>	<u>Permanent Improvement Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and Other Taxes	\$6,825,623	\$419,977		\$7,245,600
Payment in Lieu of Taxes	106,928			106,928
Tuition and Fees	203,092			203,092
Interest	294,279	1,618	\$2,310	298,207
Intergovernmental	6,755,651	54,553	961,099	7,771,303
Extracurricular Activities			328,259	328,259
Charges for Services			513,377	513,377
Gifts and Donations		62,636	40,899	103,535
Rent	240			240
Miscellaneous	56,240			56,240
Total Revenues	<u>14,242,053</u>	<u>538,784</u>	<u>1,845,944</u>	<u>16,626,781</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,815,391	600	200,662	7,016,653
Special	727,363		430,076	1,157,439
Vocational	261,991			261,991
Adult/Continuing	13,845			13,845
Support Services:				
Pupils	489,228		10,243	499,471
Instructional Staff	392,810		57,744	450,554
Board of Education	19,443			19,443
Administration	1,483,765		8,056	1,491,821
Fiscal	380,432	9,828	720	390,980
Business	20,046			20,046
Operation and Maintenance of Plant	1,297,762	11,492	25,525	1,334,779
Pupil Transportation	756,605		84	756,689
Central	31,716		1,362	33,078
Operation of Non-Instructional Services	14,793		612,441	627,234
Extracurricular Activities	299,798		360,402	660,200
Capital Outlay	436,884	262,149		699,033
Debt Service:				
Principal Retirement	123,181			123,181
Interest and Fiscal Charges	22,441			22,441
Total Expenditures	<u>13,587,494</u>	<u>284,069</u>	<u>1,707,315</u>	<u>15,578,878</u>
Excess of Revenues Over (Under) Expenditures	<u>654,559</u>	<u>254,715</u>	<u>138,629</u>	<u>1,047,903</u>
Other Financing Sources (Uses):				
Operating Transfers - In		1,000,000		1,000,000
Operating Transfers - Out	(1,000,000)			(1,000,000)
Total Other Financing Sources (Uses)	<u>(1,000,000)</u>	<u>1,000,000</u>		
Net Change in Fund Balances	(345,441)	1,254,715	138,629	1,047,903
Fund Balances at Beginning of Year	2,960,777	226,043	331,981	3,518,801
Increase (Decrease) in Reserve for Inventory	6,323		(1,022)	5,301
Fund Balances at End of Year	<u>\$2,621,659</u>	<u>\$1,480,758</u>	<u>\$469,588</u>	<u>\$4,572,005</u>

See Accompanying Notes to the Basic Financial Statements.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2001**

Net Change in Fund Balances - Total Governmental Funds \$1,047,903

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	815,416	
Depreciation Expense	<u>(339,138)</u>	
Excess of Capital Outlay over Depreciation Expense		476,278

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Note Principal Payments	50,000	
Capital Lease Payments	<u>73,181</u>	
Total long-term debt repayment		123,181

Some revenues that will not be collected for several months after the School District's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year.

Property Taxes	76,957	
Tuition and Fees	96,166	
Intergovernmental Grants	<u>8,368</u>	
		181,491

Consumable inventory is reported using the purchase method on a modified accrual basis, but is reported using the consumption method for full accrual. This amount represents the increase in inventory that took place during the fiscal year.

5,301

Some items 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. These activities consist of:

Net Decrease in Accrued Interest	215	
Decrease in Compensated Absences	8,588	
Increase in Intergovernmental Payable	(2,413)	
Decrease in Vacation Leave Payable	<u>3,445</u>	
		<u>9,835</u>

Change in Net Assets of Governmental Activities \$1,843,989

See Accompanying Notes to the Basic Financial Statements.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$6,751,850	\$8,197,432	\$7,323,446	(\$873,986)
Payment in Lieu of Taxes	158,285	119,690	106,928	(12,762)
Tuition and Fees	247,788	187,368	167,391	(19,977)
Interest	459,723	347,624	310,561	(37,063)
Intergovernmental	5,430,442	7,561,876	6,755,651	(806,225)
Rent	335	269	240	(29)
Miscellaneous	76,154	57,584	51,445	(6,139)
Total Revenues	<u>13,124,577</u>	<u>16,471,843</u>	<u>14,715,662</u>	<u>(1,756,181)</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,979,730	6,908,567	6,908,567	
Special	824,475	738,163	738,163	
Vocational	301,650	253,413	253,413	
Adult/Continuing	35,000	13,845	13,845	
Support Services:				
Pupils	593,580	485,517	485,517	
Instructional Staff	380,690	393,198	393,198	
Board of Education	25,150	19,997	19,997	
Administration	1,666,465	1,508,231	1,508,231	
Fiscal	372,100	383,109	383,109	
Business	20,000	20,318	20,318	
Operation and Maintenance of Plant	1,315,900	1,443,562	1,443,562	
Pupil Transportation	889,450	781,255	781,255	
Central	61,775	31,648	31,648	
Operation of Non-Instructional Services	23,000	15,022	15,022	
Extracurricular Activities	338,200	346,262	346,262	
Capital Outlay	166,500	653,425	653,425	
Debt Service:				
Principal Retirement	62,500	50,000	50,000	
Interest and Fiscal Charges	22,000	14,935	14,935	
Total Expenditures	<u>15,078,165</u>	<u>14,060,467</u>	<u>14,060,467</u>	
Excess of Revenues Over Expenditures	<u>(1,953,588)</u>	<u>2,411,376</u>	<u>655,195</u>	<u>(1,756,181)</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditure	51,277	34,640	34,640	
Operating Transfers - Out		(1,000,000)	(1,000,000)	
Total Other Financing Sources (Uses)	<u>51,277</u>	<u>(965,360)</u>	<u>(965,360)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures And Other Financing Uses	<u>(1,902,311)</u>	<u>1,446,016</u>	<u>(310,165)</u>	<u>(1,756,181)</u>
Fund Balances at Beginning of Year	2,665,040	2,665,040	2,665,040	
Prior Year Encumbrances Appropriated	520,983	520,983	520,983	
Fund Balances at End of Year	<u>\$1,283,712</u>	<u>\$4,632,039</u>	<u>\$2,875,858</u>	<u>(\$1,756,181)</u>

See Accompanying Notes to the Basic Financial Statements.

**CLARK -SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2001**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$107,187	\$50,065
Receivables:		
Accounts		42
Total Assets	107,187	\$50,107
Liabilities:		
Accounts Payable		\$276
Due to Students		49,831
Total Liabilities		\$50,107
Net Assets:		
Held in Trust for Scholarships	\$107,187	

See Accompanying Notes to the Basic Financial Statements.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2001**

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$6,373
Deletions	
Current:	
Instruction:	
Regular	5,000
Change in Net Assets	1,373
Net Assets Beginning of Year	105,814
Net Assets End of Year	\$107,187

See Accompanying Notes to the Basic Financial Statements.

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**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Clark-Shawnee Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1858 through the consolidation of existing land areas and school districts. It was formerly named Springfield Local School District. The School District serves an area of approximately 36 square miles. It is located in Clark County, and includes all of Springfield Township. It is staffed by 84 non-certificated employees, 146 certificated full-time teaching personnel, and 11 administrative employees who provide services to 2,534 students and other community members. The School District currently operates three elementary/middle schools (K-8) and a high school (9-12).

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 School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Clark-Shawnee Local School District, this includes general operations, food service, and student related activities of the School District. The following activities are also included within the reporting entity:

Parochial Schools - Within the School District boundaries, Twin Oaks School is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. This activity is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

City of Springfield - The city government of Springfield is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for these city services.

Parent Teacher Association - The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Miami Valley Educational Computer Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association
Clark County Family and Children First Council

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Clark-Shawnee Local School District have been prepared in conformity with generally accepted accounting principles (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 on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

1. Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements:

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 School District's major governmental funds:

General Fund

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

Permanent Improvement Capital Projects Fund

The permanent improvement capital projects fund accounts for a voted property tax levy to be used for the acquisition, construction, or improvement of capital facilities other than those financed by the private purpose trust fund.

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

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Fund Types:

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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a scholarship program for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

1. Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement on Net Assets.

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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 private purpose trust fund is reported using the economic resources measurement focus.

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. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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 School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School 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 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

2. Deferred Revenue:

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

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 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.

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data

All funds, other than the agency fund are legally required to be budgeted and appropriated. The preschool and drug free schools special revenue funds grants that are administered by a fiscal agent are not budgeted by the School District. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within each fund and function.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year. Prior to fiscal year-end, the School District passed an amended appropriation resolution which matched appropriations to expenditures plus encumbrances.

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits.

During fiscal year 2001, the School District invested funds in Victory Money Market Mutual Fund and in the State Treasury Assets Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$294,279, which includes \$47,970 assigned from other School District funds.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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.

H. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund represent cash and cash equivalents required by statute to be set-aside by the School District for budget stabilization and textbook/instructional materials. See Note 19 for additional information regarding set asides.

J. Capital Assets

General capital assets 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.

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 School District maintains a capitalization threshold of five hundred dollars. The School 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.

All reported capital assets except for land and land improvements 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:

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description	Estimated Lives
Buildings and Improvements	50-100 years
Furniture and Equipment	5-20 years
Vehicles	18 years

K. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB 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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District.

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

For governmental funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. The capital leases, the energy conservation loan 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.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Fund Balance Reserves

The School 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, inventory of supplies and materials, property taxes, budget stabilization and textbooks and instructional materials.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. This reserve consists exclusively of monies received by the School District from the Bureau of Workers' Compensation up to April 10, 2001.

O. Fund Designations

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designation reflects the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. Designations represent amounts set-aside for budget stabilization which exceed the statutory required amount.

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2001.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Estimates

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

3. CHANGES IN ACCOUNTING PRINCIPALS AND RESTATEMENT OF FUND BALANCES

For fiscal year 2001, the School District has implemented GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" At June 30, 2000, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, and 38.

4. FUND DEFICITS

The DPIA and class-size reduction special revenue funds had a deficit fund balance at June 30, 2001, of \$2,077 and \$122, respectively. The general fund is liable for any deficits in these funds and will provide operating transfers when cash is required, not when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

While the School 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) 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:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. 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.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance	
GAAP Basis	(\$345,441)
Net Adjustment for Revenue Accruals	508,249
Net Adjustment for Expenditure Accruals	33,287
Unrecorded Cash	(16,282)
Adjustment for Encumbrances	<u>(489,978)</u>
Budget Basis	<u><u>(\$310,165)</u></u>

6. 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 two 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;

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. 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 School 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.

A. Cash on Hand

At year end, the School District had **\$100** in undeposited cash on hand which is included on the financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

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".

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

B. Deposits

At year-end, the carrying amount of the School District's deposits was \$2,799,771 and the bank balance was \$3,146,347. \$105,000 of the bank balance was covered by federal depository insurance and \$3,041,347 was considered uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

C. Investments

The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School 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 School 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 School District's name.

Both investments in STAR Ohio and the Victory Money Mutual Fund are unclassified investments since they are not evidenced by securities that exist in physical or book entry form. The fair value of these investments at June 30, 2001, was \$1,554,939 and \$1,096,443, respectively which equals the carrying value.

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:

	Cash and Cash Equivalents/ Deposits	Investments
	<u>Deposits</u>	<u>Investments</u>
GASB Statement 9	\$5,451,253	\$0
Cash on Hand	(100)	0
Investments:		
Victory Money Market Mutual Fund	(1,096,443)	1,096,443
STAR Ohio	(1,554,939)	1,554,939
GASB Statement 3	<u>\$2,799,771</u>	<u>\$2,651,382</u>

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. 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. 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 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, 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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second - Half Collections		2001 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$200,823,280	76.93%	\$206,626,600	78.14%
Public Utility Personal	23,983,150	9.19	22,102,680	8.36
Tangible Personal Property	36,249,754	13.88	35,716,097	13.50
Total	<u>\$261,056,184</u>	<u>100.00%</u>	<u>\$264,445,377</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$39.30		\$39.30	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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 School District prior to June 30.

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding, and real property, personal property and public utility taxes which are measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. At June 30, 2001, \$667,903 was available as an advance to the general fund and \$33,897 was available to the permanent improvement capital projects fund.

8. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, payment in lieu of taxes, accounts (tuition and student fees), intergovernmental grants and interest. All receivables are considered collectible in full. Intergovernmental receivables at June 30, 2001, in the general fund were \$145,231 which consisted of tuition from other School Districts. Intergovernmental receivables in the special revenue funds at June 30, 2001 totaled \$106,833 which consisted of a title III grant of \$1,152 and a title I grant of \$105,681. Intergovernmental receivables in the capital projects funds consisted of a interactive video distance learning grant of \$57,223.

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2001, was as follows:

	Balance 6/30/00	Additions	Deductions	Balance 6/30/01
Governmental Activities				
Capital Asset, not Being Depreciated:				
Land	\$205,827	\$0	\$0	\$205,827
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,978,584	642,862	0	5,621,446
Furniture and Equipment	1,815,519	172,554	(8,433)	1,979,640
Vehicles	1,313,376	0	0	1,313,376
Total Capital Assets, Being Depreciated	<u>8,107,479</u>	<u>815,416</u>	<u>(8,433)</u>	<u>8,914,462</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,599,261)	(141,606)	0	(1,740,867)
Furniture and Equipment	(594,921)	(141,202)	5,759	(730,364)
Vehicles	(423,375)	(53,656)	0	(477,031)
Total Accumulated Depreciation	<u>(2,617,557)</u>	<u>(336,464) *</u>	<u>5,759</u>	<u>(2,948,262)</u>
Capital Assets, Being Depreciated, Net	<u>5,489,922</u>	<u>478,952</u>	<u>(2,674)</u>	<u>5,966,200</u>
Governmental Activities Capital Assets, Net	<u>\$5,695,749</u>	<u>\$478,952</u>	<u>(\$2,674)</u>	<u>\$6,172,027</u>

* Depreciation expense was charged to governmental functions as follows:

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

9. CAPITAL ASSETS (Continued)

Instruction:	
Regular	\$96,396
Special	4,221
Vocational	75
Support Services:	
Pupil	140
Instructional Staff	4,473
Administration	7,852
Fiscal	1,581
Operation and Maintenance of Plant	153,424
Pupil Transportation	51,694
Operation of Non-Instructional Services	5,798
Extracurricular Activities	10,810
Total Depreciation Expense	<u><u>\$336,464</u></u>

10. RISK MANAGEMENT

A. Property and Liability

The School 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 2001, the School District contracted with Nationwide Insurance for liability insurance, and Buckeye Union Insurance for property, crime, and fleet insurance. Coverage provided by Nationwide Insurance and Buckeye Union Insurance is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$24,219,300
Boiler and Machinery (\$1,000 deductible)	100,000
Crime Insurance	15,000
Automobile Liability (\$500 deductible)	1,000,000
Uninsured Motorists (\$500 deductible)	500,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in the past three years. There has been no significant reductions in insurance coverage from last year.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund 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, 2001, 2000, and 1999 were \$56,578, \$64,745, and \$102,880, respectively. The School District contributed 30.66 percent for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$39,229, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$769,799, \$428,468, and \$368,134, respectively. The School district contributed 83.94 percent for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$123,604 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

12. POSTEMPLOYMENT 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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$648,252 for fiscal year 2001.

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

For SERS, coverage is made available to service retirees with ten or more 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.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 1.30 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$113,296.

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, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation leave must be used by each employee prior to the end of their contract year; any remaining balance at that time is forfeited. Unused vacation time, earned within a contract year, is paid to classified employees and administrators upon retirement. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 238 days for all personnel. Upon retirement, payment is made for twenty-six percent of accrued, but unused sick leave credit to a maximum of 61 days for all employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company. Medical/surgical benefits are provided through United Health Care of Ohio and EPC Benefits Plan Trust.

14. CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into capital leases for the acquisition of copiers. Each lease meets 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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as program/function expenditures on a budgetary basis.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$257,406, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was split between long-term liabilities due within a year and long-term liabilities due within more than one year on the statement of net assets for governmental activities. Principal payments in fiscal year 2001 totaled \$73,181.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	Total Payments
2002	\$29,313
2003	5,468
2004	5,467
2005	1,822
Total	42,070
Less: Amount Representing Interest	(3,986)
Present Value of Net Minimum Lease Payments	\$38,084

15. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had contractual purchase commitments of \$117,658 with Capital Aluminum and Glass, Robert Oldham, Hauck Brothers, Advance Mechanical, and Hemm Glass for improvements at three of the School buildings.

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Amount Outstanding 6/30/00	Additions	Deductions	Amount Outstanding 6/30/01	Amounts Due in One Year
Governmental Activities					
Energy Conservation					
Loan 1995 5.15%	\$ 290,000	\$ 0	\$ 50,000	\$ 240,000	\$55,000
Capital Leases	111,265	0	73,181	38,084	26,878
Compensated Absences	951,949	211,374	219,962	943,361	10,415
Total Governmental Activities	\$1,353,214	\$211,374	\$343,143	\$1,221,445	\$92,293
Long - Term Liabilities	\$1,353,214	\$211,374	\$343,143	\$1,221,445	\$92,293

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

In July, 1995, the School District issued an energy conservation loan in the amount of \$515,000 for the purpose of implementing energy conservation measures. This loan is backed by the full faith and credit of the School District. The loan will mature in June, 2005. The energy conservation loan will be retired from the general fund, the fund that received the proceeds.

Capital leases will be paid from the general fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$23,916,105, the energy conservation debt margin was \$2,140,008 and the unvoted debt margin was \$264,445 at June 30, 2001.

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$55,000	\$12,360	\$67,360
2003	60,000	9,528	69,528
2004	60,000	6,438	66,438
2005	65,000	3,347	68,347
Total	<u>\$240,000</u>	<u>\$31,673</u>	<u>\$271,673</u>

17. INTERFUND TRANSFERS

The general fund transferred \$1,000,000 to the permanent improvement capital projects fund. This transfer was made because the permanent improvement levy that was passed by the voters in the School District, expires in 2002, and there are still major improvements that remain to be done.

18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark and Greene Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$19,897 for services provided during the year. Financial information can be obtained from Norma Stuart, Director, at MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)

Southwestern Ohio Educational Purchasing Council - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during this one year period.

Payments to SOEPC are made from the general fund. During fiscal year 2001, the Clark-Shawnee Local School District paid \$5,710 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2001, the School District paid \$9,546 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Clark County Family and Children First Council - The Clark County Family and Children First Council (FCF) is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)

The Board of Trustees is comprised of eighteen representatives of each the members of the Council, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Clark-Shawnee Local School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

19. SET-ASIDE CALCULATIONS

The School 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.

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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2000	\$11,444	\$0	\$153,566
Current Year Set-aside Requirement	323,603	323,603	0
Reduction in Requirement Based on Revised Legislation	0	0	(101,767)
Current Year Offsets	0	(445,242)	0
Qualifying Disbursements	(275,476)	(663,654)	0
Totals	<u>\$59,571</u>	<u>(\$785,293)</u>	<u>\$51,799</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$59,571</u>	<u>\$0</u>	<u>\$51,799</u>
Set-aside Reserve Balances as of June 30, 2001	<u>\$59,571</u>	<u>\$0</u>	<u>\$51,799</u>

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. SET-ASIDE CALCULATIONS (Continued)

The School District set-aside additional money in excess of statutory requirements for budget stabilization. This amount is presented on the balance sheet as a designation of fund balance rather than as a reserve, and is not included in restricted assets. The total reserve balance for all three set-asides at the end of the fiscal year was \$111,370. The negative amount for capital acquisition cannot be carried over to the next fiscal year.

20. CONTINGENCIES

A. Grants

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

B. Litigation

The School District is party to a legal proceeding. The School District is of the opinion that ultimate disposition of this claim will not have a material effect, if any, on the financial condition of the School District.

21. SUBSEQUENT EVENT

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 8, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

**CLARK SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2001
(CASH BASIS)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed Through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program - Commodities	N/A	10.550		\$28,632		\$30,652
National School Lunch Program	LL -P1 -00	10.555	\$8,622		\$8,622	
	LL -P4 -00		4,818		4,818	
	LL -P1 -01		54,081		54,081	
	LL -P4 -01		28,675		28,675	
Total National School Lunch Program			<u>96,196</u>		<u>96,196</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			96,196	28,632	96,196	30,652
U.S. DEPARTMENT OF EDUCATION						
(Passed Through Ohio Department of Education)						
Drug Free Schools Grant	DR-S1-01	84.186	10,243		10,243	
Eisenhower Professional Development Grant	MS-S1-00	84.281	10,367		1,925	
Grants to Local Educational Agencies (ESEA Title I)	1-S1-99 C	84.010			50,366	
	C1-S1-00		75,673		71,311	
	C1-S1-01		265,530		255,044	
Total Title I			<u>341,203</u>		<u>376,721</u>	
Innovative Educational Program Strategy	C2-S1-00	84.298	8,465		10,333	
	C2-S1-01		12,224		5,862	
Total Innovative Educational Program Strategy			<u>20,689</u>		<u>16,195</u>	
Title VI-R	CR-S1-00	84.340			18,859	
	CR-S1-01		62,431		48,741	
Total Title VI-R			<u>62,431</u>		<u>67,600</u>	
Special Education Cluster:						
Special Education Grants to States	6B-SF-01	84.027	102,297		102,297	
(Passed Through Clark County ESC)						
Special Education Preschool Grants	00	84.173	833		1,628	
	01		9,642		7,895	
Total Special Education Preschool Grants			<u>10,475</u>		<u>9,523</u>	
Total Special Education Cluster			<u>112,772</u>		<u>111,820</u>	
Total U.S. Department of Education			<u>557,705</u>		<u>584,504</u>	
Total Federal Financial Assistance			<u>\$653,901</u>	<u>\$28,632</u>	<u>\$680,700</u>	<u>\$30,652</u>

See Accompanying Notes to the Schedule of Award Expenditures.

**CLARK-SHAWNEE LOCAL DISTRICT
CLARK COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, the District had no significant food commodities.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Clark-Shawnee Local School District
Clark County
1561 East Possum Road
Springfield, Ohio 45502

To the Board of Education:

We have audited the financial statements of Clark-Shawnee Local School District, Clark County (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated February 8, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated February 8, 2002.

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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 8, 2002.

Clark-Shawnee Local School District
Clark County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

February 8, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Clark-Shawnee Local School District
Clark County
1561 East Possum Road
Springfield, Ohio 45502

To the Board of Education:

Compliance

We have audited the compliance of Clark-Shawnee Local School District, Clark 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 year ended June 30, 2001. 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 each of 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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.

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

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.

**Internal Control Over Compliance
(Continued)**

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

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

Jim Petro
Auditor of State

February 8, 2002

**CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FISCAL YEAR END JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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CLARK-SHAWNEE LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 5, 2002**