



**Auditor of State
Betty Montgomery**

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

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clark-Shawnee Local School District, Clark County (the County, (the District) as of and for the year ended June 30, 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of Clark-Shawnee Local School District, Clark County, as of June 30, 2002, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund 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 13, 2003, 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 certain 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 on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 13, 2003

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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, 2002. 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 2002 are as follows:

In total, net assets increased \$1,159,711, which represents an 11.66 percent increase from 2001.

General revenues accounted for \$15,659,319 in revenue or 88 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 \$2,175,570 or 12 percent of total revenues of \$17,834,889.

Total assets of governmental activities increased by \$2,564,920, as cash and cash equivalents increased by \$1,433,028, receivables increased by \$985,019 and capital assets increased by \$124,379.

The School District had \$16,675,178 in expenses; only \$2,175,570 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) of \$15,659,319 were adequate to provide for these programs.

Among major funds, the General Fund had \$15,362,216 in revenues and \$14,125,419 in expenditures. The General Fund's balance increased \$281,361 over 2001. 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 4 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.

Using this General Accepted Accounting Principles 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 non major funds presented in total in one column. In the case of Clark-Shawnee Local School District, the General Fund is the most significant fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(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 2002?" 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 type 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, 2002
(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 2002 compared to 2001:

Table 1
Net Assets

	2001	2002
Assets		
Current and Other Assets	\$13,202,344	\$15,642,885
Capital Assets	6,172,027	6,296,406
Total Assets	19,374,371	21,939,291
Liabilities		
Long-Term Liabilities	1,221,445	1,352,277
Other Liabilities	8,203,347	9,477,724
Total Liabilities	9,424,792	10,830,001
Net Assets		
Invested in Capital Assets, Net of Debt	5,893,943	6,073,548
Restricted	1,991,510	2,765,145
Unrestricted	2,064,126	2,270,597
Total Net Assets	\$9,949,579	\$11,109,290

Total assets of governmental activities increased by \$2,564,920, as cash and cash equivalents increased by \$1,433,028 receivables increased by \$985,019 and capital assets increased by \$124,379. 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 increased by \$206,471.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2001 and 2002.

Table 2
Changes in Net Assets

	2001	2002	Percentage Change
Revenues			
Program Revenues:			
Charges for Services	\$1,128,286	\$1,148,416	1.78%
Operating Grants and Contributions	923,781	995,954	7.81
Capital Grants and Contributions	147,484	31,200	(78.85)
Total Program Revenues	<u>2,199,551</u>	<u>2,175,570</u>	(1.09)
General Revenues:			
Property Taxes	7,322,557	7,784,521	6.31
Grants and Entitlements	6,798,804	7,582,939	11.53
Other	487,360	291,859	(40.11)
Total General Revenues	<u>14,608,721</u>	<u>15,659,319</u>	7.19
Total Revenues	<u>16,808,272</u>	<u>17,834,889</u>	6.11
Program Expenses			
Instruction	8,518,006	9,175,869	7.72
Support Services:			
Pupils and Instructional Staff	942,660	939,841	(0.30)
Board of Education, Administration, Fiscal and Business	1,961,996	2,148,123	9.49
Operation and Maintenance of Plant	1,340,602	2,082,330	55.33
Pupil Transportation	802,856	914,226	13.87
Central	33,375	58,570	75.49
Operation of Non-Instructional Services	641,552	664,289	3.54
Extracurricular Activities	701,010	676,507	(3.50)
Interest and Fiscal Charges	22,226	15,423	(30.61)
Total Expenses	<u>14,964,283</u>	<u>16,675,178</u>	11.43
Increase in Net Assets	<u>\$1,843,989</u>	<u>\$1,159,711</u>	(37.11)

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 2002.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Instruction comprises 55 percent of district expenses. Support services expenses make up 37 percent of the expenses.

Salary costs increased over the prior year due to the following:

1. Additional Foreign Language teacher at Shawnee High School
2. Additional Elementary teacher at Rockway School
3. Employment of a full-time certified athletic trainer for the district
4. Employment of additional custodial staff for the newly opened student activity center.

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

	Total Cost of Services 2001	Net Cost of Services 2001	Total Cost of Services 2002	Net Cost of Services 2002
Instruction	\$8,518,006	\$7,454,005	\$9,175,869	\$8,303,750
Support Services:				
Pupils and Instructional Staff	942,660	871,688	939,841	863,807
Board of Education, Administration	1,961,996	1,953,377	2,148,123	2,109,181
Fiscal and Business Operation and Maintenance of Plant	1,340,602	1,257,132	2,082,330	1,958,443
Pupil Transportation	802,856	802,697	914,226	870,440
Central	33,375	23,241	58,570	58,570
Operation of Non-Instructional Services	641,552	24,680	664,289	(23)
Extracurricular Activities	701,010	355,686	676,507	320,017
Interest and Fiscal Charges	22,226	22,226	15,423	15,423
Total Expenses	<u>\$14,964,283</u>	<u>\$12,764,732</u>	<u>\$16,675,178</u>	<u>\$14,449,608</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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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.

The dependence upon tax revenues is apparent. Over 90 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 87 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 \$17,684,469 and expenditures of \$16,694,495. The net change in fund balance for the year was significant in the General Fund and the Permanent Improvement Capital Projects Fund which had an increase of \$281,361 and \$946,258, 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 2002 year, the School District amended its General Fund budget numerous times, which resulted in appropriations decreasing \$430,671, a 3 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.

For the General Fund, the final budget basis revenue and other financing sources estimate was \$15,480,851. The original budgeted estimate was \$13,915,697.

During fiscal year 2002, the School District budgeted and received \$7,342,768 and \$7,585,319 for property and other taxes and intergovernmental revenues, respectively.

Capital Assets

At the end of the fiscal year 2002, the School District had \$6,296,406 invested in land, buildings, furniture and equipment, and vehicles.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Table 4 shows fiscal 2002 balances compared to 2001.

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

	2001	2002
Land	\$205,827	\$226,977
Buildings and Improvements	3,880,579	4,013,607
Furniture and Equipment	1,249,276	1,324,982
Vehicles	836,345	730,840
Totals	\$6,172,027	\$6,296,406

Overall capital assets increased \$124,379 from fiscal year 2001 to fiscal year 2002. Increases in capital assets (primarily buildings and improvements, equipment and vehicles) were offset by depreciation expense for the year.

At fiscal year end, the School District had contractual purchase commitments of \$108,042 with Solid Rock Enterprises to renovate the locker rooms in the High School.

For more information on capital assets, see Note 8 of the Basic Financial Statements.

Debt Administration

At June 30, 2002, the School District only had an \$185,000 energy conservation note as outstanding debt, \$60,000 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,

	2001	2002
1995 Energy Conservation Note	\$240,000	\$185,000

At June 30, 2002, the School District's overall legal debt margin was \$27,085,138, the energy conservation debt margin was \$2,511,912 and the unvoted debt margin was \$299,657.

For more information on the School District's debt, see Note 15 of the Basic Financial Statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(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 a testament to the support of this community, the residents of the district voted in August 2002 to renew two levies. The five-year permanent improvement will generate \$425,000 from 2003 through 2007 and will be used for major improvement and renovations to the buildings. The five-year Emergency Levy also passed in August 2002 will be used through the general funds for day-to-day expenditures including salaries, fringe benefits, utilities, supplies, and equipment.

The central office administration along with the Board of Education made major strides in the area of curriculum improvement with the employment of a curriculum specialist to oversee academic initiatives. This strategy from the Continuous Improvement Plan is an attempt to increase student performance and enhance curriculum instruction. Both goals will promote student learning.

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 School District would not be considered a school district suffering with low wealth. Therefore, the 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 fiscal year 2002, the School District reviewed preliminary plans and recommendations from the Ohio Facilities Commission. This commission informed 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 the School District and will begin to take shape during fiscal year 2003.

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 cs_jturner@mveca.org.

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

**STATEMENT OF NET ASSETS
JUNE 30, 2002**

	<u>Governmental Activities</u>
Assets:	
Cash and Cash Equivalents	\$6,722,029
Accounts Receivable	3,301
Accrued Interest Receivable	7,661
Intergovernmental Receivable	198,690
Inventory of Supplies and Materials	64,322
Prepaid Items	38,379
Property and Other Taxes Receivable	8,549,553
Payment in Lieu of Taxes Receivable	53,950
Cash and Cash Equivalents With Fiscal Agents	5,000
Depreciable Capital Assets, Net	6,069,429
Land	226,977
Total Assets	<u><u>21,939,291</u></u>
Liabilities:	
Accounts Payable	74,654
Contracts Payable	13,503
Accrued Wages and Benefits Payable	1,262,052
Intergovernmental Payable	416,247
Deferred Revenue	7,670,785
Accrued Interest Payable	794
Vacation Leave Payable	23,539
Matured Sick Leave Payable	11,150
Matured Bond Payable	5,000
Long Term Liabilities:	
Due Within One Year	84,659
Due In More Than One Year	1,267,618
Total Liabilities	<u><u>10,830,001</u></u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	6,073,548
Restricted for:	
Capital Projects	2,474,742
Debt Service	116,021
Other Purposes	174,382
Unrestricted	2,270,597
Total Net Assets	<u><u>\$11,109,290</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, 2002**

	Program Revenues		Program Revenues	Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions	
				Total Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$7,735,147	\$120,563	\$137,316	\$31,200	(\$7,446,068)
Special	1,182,270	154,519	428,521		(599,230)
Vocational	235,990				(235,990)
Adult/Continuing	22,462				(22,462)
Support Services:					
Pupils	493,549				(493,549)
Instructional Staff	446,292		76,034		(370,258)
Board of Education	25,094				(25,094)
Administration	1,731,424		19,483		(1,711,941)
Fiscal	368,442		19,459		(348,983)
Business	23,163				(23,163)
Operation and Maintenance of Plant	2,082,330		123,887		(1,958,443)
Pupil Transportation	914,226		43,786		(870,440)
Central	58,570				(58,570)
Operation of Non-Instructional Services	664,289	526,076	138,236		23
Extracurricular Activities	676,507	347,258	9,232		(320,017)
Interest and Fiscal Charges	15,423				(15,423)
Total Governmental Activities	\$16,675,178	\$1,148,416	\$995,954	\$31,200	(\$14,499,608)

General Revenues:	
Property Taxes Levied for:	
General Purposes	7,348,810
Capital Outlay	435,711
Grants and Entitlements not Restricted to	
Specific Programs	7,582,939
Payment in Lieu of Taxes	109,666
Investment Earnings	166,939
Miscellaneous	15,254
Total General Revenues	15,659,319
Change in Net Assets	1,159,711
Net Assets Beginning of Year	9,949,579
Net Assets End of Year	\$11,109,290

See Accompanying Notes to the Basic Financial Statements.

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2002**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,781,285	\$2,434,718	\$383,963	\$6,599,966
Receivables:				
Property and Other Taxes	8,088,143	461,410		8,549,553
Payment in Lieu of Taxes	53,950			53,950
Accounts	3,155		146	3,301
Intergovernmental	165,200		33,490	198,690
Accrued Interest	7,591	31	39	7,661
Inventory of Supplies and Materials	47,375		16,947	64,322
Prepaid Items	38,379			38,379
Cash and Cash Equivalents With Fiscal Agents			5,000	5,000
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	122,063			122,063
Total Assets	<u>12,307,141</u>	<u>2,896,159</u>	<u>439,585</u>	<u>15,642,885</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	44,918	25,126	4,610	74,654
Contracts Payable	13,503			13,503
Accrued Wages and Benefits Payable	1,161,459		100,593	1,262,052
Intergovernmental Payable	272,305		19,346	291,651
Matured Sick Leave Payable	11,150			11,150
Deferred Revenue	7,900,786	444,017	33,529	8,378,332
Matured Bond Payable			5,000	5,000
Total Liabilities	<u>9,404,121</u>	<u>469,143</u>	<u>163,078</u>	<u>10,036,342</u>
Fund Balances				
Reserved for Encumbrances	149,357	330,875	41,226	521,458
Reserved for Property Taxes	332,618	15,503		348,121
Reserved for Budget Stabilization	51,799			51,799
Reserved for Textbooks/Instructional Materials	70,264			70,264
Unreserved, Designated for Budget Stabilization	294,170			294,170
Unreserved, Undesignated, Reported in:				
General Fund	2,004,812			2,004,812
Special Revenue Funds			96,041	96,041
Debt Service Fund			116,021	116,021
Capital Projects Funds		2,080,638	23,219	2,103,857
Total Fund Balances	<u>2,903,020</u>	<u>2,427,016</u>	<u>276,507</u>	<u>5,606,543</u>
Total Liabilities and Fund Balances	<u>\$12,307,141</u>	<u>\$2,896,159</u>	<u>\$439,585</u>	<u>\$15,642,885</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, 2002**

Total Governmental Fund Balance	\$5,606,543
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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	\$226,977	
Building and Improvements	6,037,354	
Furniture and Equipment	2,225,330	
Vehicles	1,313,376	
Accumulated Depreciation	(3,506,631)	
Total Capital Assets		6,296,406

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes Receivable	506,748	
Payment in Lieu of Taxes Receivable	53,950	
Accounts Receivable	2,844	
Intergovernmental Receivable	136,181	
Accrued Interest Receivable	7,824	
		707,547

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	(37,858)	
Loans Payable	(185,000)	
Accrued Interest on Loans	(794)	
Vacation Leave Payable	(23,539)	
Compensated Absences	(1,129,419)	
Intergovernmental Payable	(124,596)	
Total Liabilities		(1,501,206)

Net assets of Governmental Activities	\$11,109,290
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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 FISCAL YEAR ENDED JUNE 30, 2002**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$7,205,098	\$428,418		\$7,633,516
Payment in Lieu of Taxes	109,372			109,372
Tuition and Fees	292,472			292,472
Interest	159,185	956	\$872	161,013
Intergovernmental	7,589,872	36,853	778,844	8,405,569
Extracurricular Activities			354,758	354,758
Charges for Services			526,076	526,076
Gifts and Donations		128,737	57,232	185,969
Rent	470			470
Miscellaneous	5,747		9,507	15,254
Total Revenues	15,362,216	594,964	1,727,289	17,684,469
Expenditures:				
Current:				
Instruction:				
Regular	7,181,374		322,170	7,503,544
Special	709,804		455,087	1,164,891
Vocational	233,289			233,289
Adult/Continuing	22,462			22,462
Support Services:				
Pupils	545,725			545,725
Instructional Staff	317,905		74,460	392,365
Board of Education	25,094			25,094
Administration	1,666,098		28,224	1,694,322
Fiscal	362,044	7,126		369,170
Business	23,163			23,163
Operation and Maintenance of Plant	1,370,025	39,363	44,266	1,453,654
Pupil Transportation	817,950		173	818,123
Central	58,863			58,863
Operation of Non-Instructional Services	13,251		647,748	660,999
Extracurricular Activities	361,558		348,242	709,800
Capital Outlay	314,953	602,217		917,170
Debt Service:				
Principal Retirement	86,202			86,202
Interest and Fiscal Charges	15,659			15,659
Total Expenditures	14,125,419	648,706	1,920,370	16,694,495
Excess of Revenues Over (Under) Expenditures	1,236,797	(53,742)	(193,081)	989,974
Other Financing Sources (Uses):				
Inception of Capital Leases	44,564			44,564
Transfers - In		1,000,000		1,000,000
Transfers - Out	(1,000,000)			(1,000,000)
Total Other Financing Sources (Uses)	(955,436)	1,000,000		44,564
Net Change in Fund Balances	281,361	946,258	(193,081)	1,034,538
Fund Balances at Beginning of Year	2,621,659	1,480,758	469,588	4,572,005
Fund Balances at End of Year	\$2,903,020	\$2,427,016	\$276,507	\$5,606,543

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 GEOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2002**

Net Change in Fund Balances - Total Governmental Funds \$1,034,538

**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	734,822	
Depreciation Expense	(579,882)	
Excess of Capital Outlay over Depreciation Expense	154,940	154,940

The proceeds from the sale of capital assets are reported as an other financing source in the governmental funds. However, the cost of the capital assets is removed from the capital assets account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(30,561)
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Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.

(44,564)

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	55,000	
Capital Lease Payments	31,202	
Early Retirement of Capital Lease	13,588	
Total long-term debt repayment	99,790	99,790

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	151,005	
Payment in Lieu of Taxes	294	
Tuition and Fees	(25,360)	
Accrued Interest	7,824	
Intergovernmental Grants	16,657	
	150,420	150,420

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	236	
Increase in Compensated Absences	(186,058)	
Increase in Intergovernmental Payable	(8,991)	
Increase in Vacation Leave Payable	(10,039)	
	(204,852)	

(204,852)

Change in Net Assets of Governmental Activities \$1,159,711

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 FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$6,613,995	\$7,342,768	\$7,342,768	\$0
Payment in Lieu of Taxes	98,517	109,372	109,372	
Tuition and Fees	223,208	247,803	247,803	
Interest	144,066	159,940	159,940	
Intergovernmental	6,832,472	7,585,319	7,585,319	
Rent	423	470	470	
Miscellaneous	3,016	3,348	3,348	
Total Revenues	<u>13,915,697</u>	<u>15,449,020</u>	<u>15,449,020</u>	
Expenditures:				
Current:				
Instruction:				
Regular	7,455,225	7,233,647	7,233,647	
Special	770,700	720,238	720,238	
Vocational	225,850	238,857	238,857	
Adult/Continuing	30,000	22,463	22,463	
Other	15,000	36,386	36,386	
Support Services:				
Pupils	479,400	538,383	538,383	
Instructional Staff	467,835	339,968	339,968	
Board of Education	27,200	33,798	33,798	
Administration	1,696,875	1,667,744	1,667,744	
Fiscal	435,000	364,282	364,282	
Business	25,000	23,456	23,456	
Operation and Maintenance of Plant	1,379,590	1,419,996	1,419,996	
Pupil Transportation	913,850	890,566	890,566	
Central	77,550	58,879	58,879	
Operation of Non-Instructional Services	24,000	13,579	13,579	
Extracurricular Activities	383,850	362,883	362,883	
Capital Outlay	271,500	280,269	280,269	
Debt Service:				
Principal Retirement	50,000	55,000	55,000	
Interest and Fiscal Charges	15,000	12,360	12,360	
Total Expenditures	<u>14,743,425</u>	<u>14,312,754</u>	<u>14,312,754</u>	
Excess of Revenues Over (Under) Expenditures	<u>(827,728)</u>	<u>1,136,266</u>	<u>1,136,266</u>	
Other Financing Sources (Uses):				
Refund of Prior Year Expenditure		31,831	31,831	
Operating Transfers - Out		(1,000,000)	(1,000,000)	
Total Other Financing Sources (Uses)		<u>(968,169)</u>	<u>(968,169)</u>	
Net Change in Bund Balances	(827,728)	168,097	168,097	
Fund Balances at Beginning of Year	2,875,858	2,875,858	2,875,858	
Prior Year Encumbrances Appropriated	489,978	489,978	489,978	
Fund Balances at End of Year	<u>\$2,538,108</u>	<u>\$3,533,933</u>	<u>\$3,533,933</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements.

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

**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2002**

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$104,677	\$46,522
Receivables:		
Accrued Interest	93	
Total Assets	<u>104,770</u>	<u>\$46,522</u>
Liabilities:		
Accounts Payable		\$1,864
Due to Students		44,658
Total Liabilities		<u>\$46,522</u>
Net Assets:		
Held in Trust for Scholarships	<u>\$104,770</u>	

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 FISCAL YEAR ENDED JUNE 30, 2002**

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$2,653
Gifts and Donations	2,430
Total Additions	5,083
Deletions:	
Scholarships	7,500
Change in Net Assets	(2,417)
Net Assets Beginning of Year	107,187
Net Assets End of Year	\$104,770

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, 2002**

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 and provides educational services as mandated by State statute and 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, 143 certificated full-time teaching personnel, and 11 administrative employees who provide services to 2,496 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 as a government activity 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, 2002
(Continued)**

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

The School District participates in five jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 17 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
Springfield/Clark County Joint Vocational School

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, 2002
(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. The School District divides its funds into two categories: 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, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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 college 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. The Statement of Activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total 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, 2002
(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. 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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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, tuition, 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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements from other school districts 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:

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.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(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 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 2002. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year in the general fund.

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 2002, the School District invested in Commercial Paper, 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, 2002.

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 2002 amounted to \$159,185, which includes \$49,300 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, 2002
(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. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed/expensed when used.

Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set aside to create a reserve for textbooks/instructional materials and budget stabilization.

J. Capital Assets

The School District's only capital assets are general 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 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:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-term Obligations

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

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. Capital leases and the energy conservation loan are recognized as a liability in the fund financial statements when due.

L. 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.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments came due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured sick leave payable" in the fund from which the employees who have accumulated unpaid leave are paid.

M. Fund Balance Reserves and Designation

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. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. 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, property tax, budget stabilization and textbooks and instructional materials. A fund designation has been established for budget stabilization.

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. The designation for budget stabilization represents money set-aside by the Board of Education in excess of what is required by statute.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Assets

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

O. 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 2002.

P. 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. FUND DEFICITS

The DPIA, summer intervention, Title I, and class-size reduction special revenue funds had a deficit fund balance at June 30, 2002, of \$1,061, \$506, \$15,119, and \$11,966, 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.

4. 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).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statements.

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

	Net Change in Fund Balance	
GAAP Basis		\$281,361
Net Adjustment for Revenue Accruals		74,071
Net Adjustment for Expenditure Accruals		(183,701)
Unrecorded Cash		175,045
Prepaid Items		14,887
Adjustment for Encumbrances		(193,566)
Budget Basis		<u><u>\$168,097</u></u>

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. 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 No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

B. Deposits

At year-end, the carrying amount of the School District's deposits was \$3,442,517 and the bank balance was \$3,633,966. \$200,000 of the bank balance was covered by federal depository insurance and \$3,433,966 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.

Investments in the Victory Money Mutual Fund and the STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Fair Value
Commercial Paper	\$1,484,648	\$1,484,648
Victory Money Market Mutual Fund	0	201,397
STAR Ohio	0	1,749,566
Total	\$1,484,648	\$3,435,611

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, "Reporting Cash Flows of Proprietary and nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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
GASB Statement No. 9	\$6,878,228	\$0
Cash on Hand	(100)	0
Investments:		
Commercial Paper	(1,484,648)	1,484,648
Victory Money Market Mutual Fund	(201,397)	201,397
STAR Ohio	(1,749,566)	1,749,566
GASB Statement No. 3	\$3,442,517	\$3,435,611

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. 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 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

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. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

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

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.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$206,626,600	78.14%	\$237,915,400	79.40%
Public Utility Personal	22,102,680	8.36	14,889,710	4.97
Tangible Personal Property	35,716,097	13.50	46,851,746	15.63
Total	<u>\$264,445,377</u>	<u>100.00%</u>	<u>\$299,656,856</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$39.30		\$39.30	

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, 2002, are available to finance fiscal year 2002 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, 2002
(Continued)**

6. PROPERTY TAXES (Continued)

Accrued property taxes receivable include real property, personal property and public utility taxes which are measurable as of June 30, 2002, 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, 2002, \$332,618 was available as an advance to the general fund and \$15,503 was available to the permanent improvement capital projects fund. On a full accrual basis, collectable property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

7. RECEIVABLES

Receivables at June 30, 2002, 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, 2002, in the general fund were \$165,200 which consisted of tuition from other School Districts. Intergovernmental receivables in the non-major funds at June 30, 2002 totaled \$33,490 which consisted of an auxiliary services grant of \$48 and a Title I grant of \$33,442.

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Balance 6/30/01	Additions	Deductions	Balance 6/30/02
Governmental Activities				
Capital Asset, not Being Depreciated:				
Land	\$205,827	\$21,150	\$0	\$226,977
Capital Assets, Being Depreciated:				
Buildings and Improvements	5,621,446	415,908	0	6,037,354
Furniture and Equipment	1,979,640	297,764	(52,074)	2,225,330
Vehicles	1,313,376	0	0	1,313,376
Total Capital Assets, Being Depreciated	8,914,462	713,672	(52,074)	9,576,060
Less Accumulated Depreciation:				
Buildings and Improvements	(1,740,867)	(282,880)	0	(2,023,747)
Furniture and Equipment	(730,364)	(191,497)	21,513	(900,348)
Vehicles	(477,031)	(105,505)	0	(582,536)
Total Accumulated Depreciation	(2,948,262)	(579,882) *	21,513	(3,506,631)
Capital Assets, Being Depreciated, Net	5,966,200	133,790	(30,561)	6,069,429
Governmental Activities Capital Assets, Net	\$6,172,027	\$154,940	(\$30,561)	\$6,296,406

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

8. CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$134,084
Special	8,442
Vocational	75
Support Services:	
Pupil	35
Instructional Staff	4,721
Administration	4,718
Fiscal	1,581
Operation and Maintenance of Plant	296,798
Pupil Transportation	103,543
Operation of Non-Instructional Services	4,898
Extracurricular Activities	20,987
Total Depreciation Expense	\$579,882

9. 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 2002, 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 reduction 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, 2002
(Continued)**

9. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 17). 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.

10. 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 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, 2002, 2001, and 2000 were \$115,985, \$56,578 and \$64,745, respectively; 51.34 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$56,437 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

10. 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 State statute per 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, 2002, 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. This is the same percentage used in 2001. Contribution rates are established by STRS, upon recommendations 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, 2002, 2001, and 2000 were \$754,676, \$769,799 and \$428,468, respectively; 81.88 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$136,729 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

11. 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, 2002, 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 \$357,478 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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, 2002
(Continued)**

11. 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, 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 2002 fiscal year equaled \$209,534.

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, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

12. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

13. CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into capital leases for the acquisition of copiers and computers. Also during fiscal year 2002, the School District entered into two capital leases for the acquisition of copiers. The terms of these agreements provide options to purchase the equipment. 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. New Capital leases are reflected in the accounts, "capital outlay" and "inception of capital leases" in the general fund. 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.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$301,970, 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.

The new leases entered into during fiscal year 2002 replaced a previous lease before the lease term was over. As a result the School District decreased its liability \$13,588 and recorded a loss on the disposal of fixed assets of \$7,367 which has been recorded as regular instruction. Principal payments in fiscal year 2002 totaled \$31,202.

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, 2002.

Fiscal Year Ending June 30,	Total Payments
2003	\$16,758
2004	16,758
2005	8,380
Total	41,896
Less: Amount Representing Interest	(4,038)
Present Value of Net Minimum Lease Payments	\$37,858

14. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual purchase commitments of \$108,042 with Solid Rock Enterprises to renovate the locker rooms in the High School.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Amount Outstanding 6/30/01	Additions	Deductions	Amount Outstanding 6/30/02	Amounts Due in One Year
Governmental Activities					
Energy Conservation					
Loan 1995 5.15%	\$240,000	\$0	\$55,000	\$185,000	\$60,000
Capital Leases	38,084	44,564	44,790	37,858	14,244
Compensated Absences	943,361	249,340	63,282	1,129,419	10,415
Total Governmental Activities					
Long - Term Liabilities	<u>\$1,221,445</u>	<u>\$293,904</u>	<u>\$163,072</u>	<u>\$1,352,277</u>	<u>\$84,659</u>

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 general fund and the food service and Title I special revenue funds.

The School District's overall legal debt margin was \$27,085,138, the energy conservation debt margin was \$2,511,912 and the unvoted debt margin was \$299,657 at June 30, 2002.

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$60,000	\$9,528	\$69,528
2004	60,000	6,438	66,438
2005	65,000	3,347	68,347
Total	<u>\$185,000</u>	<u>\$19,313</u>	<u>\$204,313</u>

16. 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 at the end of calendar year 2002, and there are still major improvements that remain to be done.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. 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 \$19,690 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.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative 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. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. 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. Payments to SOEPC are made from the general fund. During fiscal year 2002, the School District paid \$1,314 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, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. 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 representative. 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 2002, the School District paid \$11,110 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-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

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.

The Board of Trustees is comprised of representatives of each of the members of the Council, and representatives of those additional entities required to be represented on the Council pursuant to Section 121.37 of the Ohio Revised Code. The school districts in Clark County must appoint a superintendent of one of the schools to represent them on the eighteen member Board. Currently, the superintendent of the Clark County Educational Service Center serves as this representative. 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 Southeastern 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.

Springfield/Clark County Joint Vocational School - The Springfield/Clark County Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the JVS during fiscal year 2002. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Pamela Ashbaugh, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

18. 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 amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based upon legislative changes, this is the only money still required to be set-aside for this purpose.

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, 2001	\$59,571	\$0	\$51,799
Current Year Set-aside Requirement	319,087	319,087	0
Qualifying Disbursements	(308,394)	(550,643)	0
Current Year Offsets	0	(434,591)	0
Totals	<u>\$70,264</u>	<u>(\$666,147)</u>	<u>\$51,799</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$70,264</u>	<u>(\$434,591)</u>	<u>\$51,799</u>
Set-aside Reserve Balances as of June 30, 2002	<u>\$70,264</u>	<u>\$0</u>	<u>\$51,799</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisitions amounts below zero. This extra amount of offsets may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for all three set-asides at the end of the fiscal year was \$122,063.

19. 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, 2002.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

20. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

21. SUBSEQUENT EVENT

In a special election in August 2002, the School District passed a permanent improvement and a five year emergency renewal levy. The permanent improvement levy is for 1.9 mills for five years, and is expected to generate \$425,000 in property tax revenue annually. The emergency levy is for 4.29 mills for five years, and is expected to generate \$1,288,000 in property tax revenue annually.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2002**

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						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program - Commodities	N/A	10.550		\$46,776		\$45,606
National School Lunch Program	LL -P4-01	10.555	\$14,022		\$14,022	
	LL -P4 -02		73,136		73,136	
Total National School Lunch Program			<u>87,158</u>		<u>87,158</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			87,158	46,776	87,158	45,606
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-01	84.010	66,195		76,510	
	C1-S1-01-C		39,486		39,657	
	C1-S1-02		<u>307,108</u>		<u>269,077</u>	
Total Title I			412,789		385,244	
Special Education Cluster:						
Special Education Grants to States	6B-SF-02-P	84.027	132,242		132,242	
<i>Passed Through Clark County Educational Service Center:</i>						
Special Education Preschool Grants	NA	84.173	<u>10,157</u>		<u>10,157</u>	
Total Special Education Cluster			142,399		142,399	
<i>Passed Through Ohio Department of Education:</i>						
Drug Free Schools Grant	DR-S1-02	84.186	9,889		9,889	
Eisenhower Professional Development Grant	MS-S1-01	84.281	1,152		8,744	
	MS-S1-02		12,414		6,318	
	MS-S4-01		<u>1,000</u>		<u>15,062</u>	
Total Eisenhower Professional Development Grant			14,566		15,062	
Innovative Educational Program Strategy	C2-S1-02	84.298	12,947		19,151	
Title VI-R	CR-S1-01	84.340			13,690	
	CR-S1-02		<u>72,587</u>		<u>69,308</u>	
Total Title VI-R			72,587		82,998	
Total U.S. Department of Education			665,177		654,743	
U.S. BUREAU OF LAND MANAGEMENT						
<i>Passed through the Clark County Auditor:</i>						
Federal Flood Control	NA	15.226	<u>565</u>		<u>565</u>	
Total Federal Financial Assistance			<u>\$752,900</u>	<u>\$46,776</u>	<u>\$742,466</u>	<u>\$45,606</u>

See Accompanying Notes to the Schedule of Award Expenditures.

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

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.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2002, and have issued our report thereon dated February 13, 2003. 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 management of the District in a separate letter dated February 13, 2003.

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.

Clark-Shawnee Local School District
Clark County
Independent Accountants' Report 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, the 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 13, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. 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, Clark-Shawnee Local School District, Clark County 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, 2002.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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, the 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.



Betty Montgomery
Auditor of State

February 13, 2003

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

**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.



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
APRIL 8, 2003**