



**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  
3680 Selma 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 District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 aggregate remaining fund information of Clark-Shawnee Local School District, Clark County, as of June 30, 2004, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof 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 January 6, 2005, 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the Districts basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information 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

January 6, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

In total, net assets increased \$1,327,841 which represents a 9 percent increase from 2003.

General revenues accounted for \$15,759,159 in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions and interest and capital grants and contributions accounted for \$3,776,558 or 19 percent of total revenues of \$19,535,717.

Total assets of governmental activities increased by \$1,039,497 as cash and cash equivalents decreased by \$2,295,134, receivables increased by \$66,038 and capital assets increased by \$3,232,500.

The School District had \$18,207,876 in expenses; only \$3,776,558 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) of \$15,759,159 were adequate to provide for these programs.

Among major funds, the General Fund had \$17,016,671 in revenues and \$17,934,325 in expenditures. The General Fund's balance decreased \$893,104 from 2003.

**Using this Generally 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, 2004  
(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 2004?" 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 fiscal 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 16. Fund financial statements 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 fiscal 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, 2004  
(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 2004 compared to 2003:

**Table 1  
Net Assets**

	<b>2003</b>	<b>2004</b>
<b>Assets</b>		
Current and Other Assets	\$17,031,882	\$14,838,879
Capital Assets	8,577,011	11,809,511
Total Assets	25,608,893	26,648,390
<b>Liabilities</b>		
Long-Term Liabilities	1,434,088	1,380,009
Other Liabilities	9,850,988	9,616,723
Total Liabilities	11,285,076	10,996,732
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	8,428,397	11,720,498
Restricted	2,503,237	1,333,962
Unrestricted	3,392,183	2,597,198
Total Net Assets	\$14,323,817	\$15,651,658

Total assets of governmental activities increased by \$1,039,497 as cash and cash equivalents decreased by \$2,295,134, receivables increased by \$66,038 and capital assets increased by \$3,232,500. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$794,985.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2003 and 2004.

**Table 2  
Changes in Net Assets**

	<u>2003</u>	<u>2004</u>	<u>Percentage Change</u>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$ 2,130,482	\$ 2,795,099	31.20%
Operating Grants and Contributions	1,041,078	910,809	(12.51)
Capital Grants and Contributions	52,398	70,650	34.83
Total Program Revenues	<u>3,223,958</u>	<u>3,776,558</u>	17.14
General Revenues:			
Property Taxes	8,450,816	8,748,329	3.52
Grants and Entitlements	6,934,870	6,720,317	(3.09)
Other	291,095	290,513	(0.20)
Total General Revenues	<u>15,676,781</u>	<u>15,759,159</u>	0.53
Total Revenues	<u>18,900,739</u>	<u>19,535,717</u>	3.36
<b>Program Expenses</b>			
Instruction	10,029,856	10,729,056	6.97
Support Services:			
Pupils and Instructional Staff	1,127,569	1,178,865	4.55
Board of Education, Administration, Fiscal and Business	2,163,580	2,201,019	1.73
Operation and Maintenance of Plant	1,541,667	1,902,241	23.39
Pupil Transportation	947,892	883,290	(6.82)
Central	75,022	52,598	(29.89)
Operation of Non-Instructional Services	675,644	624,261	(7.61)
Extracurricular Activities	533,244	629,037	17.96
Interest and Fiscal Charges	11,784	7,509	(36.28)
Total Expenses	<u>17,106,258</u>	<u>18,207,876</u>	6.44
Increase in Net Assets	<u>\$ 1,794,481</u>	<u>\$ 1,327,841</u>	(26.00)

**Governmental Activities**

The 31.20% increase in charges for services occurred because of an increase in the classification of open enrollment revenue.

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 45 percent of revenues for governmental activities for the Clark-Shawnee Local School District for fiscal year 2004.

The School District voters replaced a five-year emergency levy in August 2002 for collection in calendar years 2003-2007. This levy at 4.3 mills generates approximately \$1,300,000 in property tax revenue per year. Emergency levies generate a specific amount of revenue. The millage for the replacement levy was less, but the property tax revenue generated is the same. Overall, property tax revenue increased during fiscal year 2004 due to increases in property values. The passage of this levy was intended to place the School District in a stable financial status through 2007 barring a major structural catastrophe. However, budget balancing measures and new state legislation has cost the district \$310,528 in fiscal year 2004. This situation will require a watchful eye during fiscal year 2005, 2006 and 2007 to insure the emergency monies last the life of the levy.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

The voters also renewed a 1.9 mill permanent improvement levy which generates approximately \$502,165 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 2007.

Instruction comprises 59 percent of district expenses. Support services expenses make up 34 percent of the expenses.

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

1. A four percent base salary increase
2. Approximately 1.4 percent in step increases
3. Addition of a curriculum consultant for the district

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**

	<b>Total Cost of Services 2003</b>	<b>Net Cost of Services 2003</b>	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>
Instruction	\$10,029,856	\$7,893,901	\$10,729,056	\$8,065,482
Support Services:				
Pupils and Instructional Staff	1,127,569	1,094,718	1,178,865	1,123,081
Board of Education, Administration Fiscal and Business	2,163,580	2,136,971	2,201,019	2,166,102
Operation and Maintenance of Plant	1,541,667	1,507,217	1,902,241	1,879,943
Pupil Transportation	947,892	904,085	883,290	811,568
Central	75,022	75,022	52,598	52,598
Operation of Non-Instructional Services	675,644	33,739	624,261	17,690
Extracurricular Activities	533,244	224,863	629,037	307,345
Interest and Fiscal Charges	11,784	11,784	7,509	7,509
<b>Total Expenses</b>	<b>\$17,106,258</b>	<b>\$13,882,300</b>	<b>\$18,207,876</b>	<b>\$14,431,318</b>

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

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

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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 78 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 79 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 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,309,946 and expenditures of \$21,501,467. The net change in fund balance for the year was significant in the General Fund and the Permanent Improvement Fund which had decreases of \$893,104 and \$1,207,227.

**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 fiscal year 2004, the School District amended its General Fund budget numerous times, which resulted in appropriations increasing \$638,073, a 4 percent increase. 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 fiscal 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 \$16,450,320. The original budgeted estimate was \$16,088,115.

During fiscal year 2004, the School District budgeted and received \$7,545,841 and \$6,732,731 for property and other taxes and intergovernmental revenues, respectively.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Capital Assets**

At the end of fiscal year 2004, the School District had \$11,809,511 invested in land, construction in progress, buildings, furniture and equipment, and vehicles.

Table 4 shows fiscal year 2004 balances compared to 2003.

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

	<b>Restated 2003</b>	<b>2004</b>
Land	\$ 226,977	\$ 641,103
Construction in Progress	286,027	0
Buildings and Improvements	5,749,589	8,885,035
Furniture and Equipment	1,524,037	1,443,858
Vehicles	790,381	839,515
<b>Totals</b>	<b>\$8,577,011</b>	<b>\$11,809,511</b>

Overall capital assets increased \$3,232,500 from fiscal year 2003 to fiscal year 2004. Increases in capital assets (primarily buildings and improvements, construction in progress, equipment and vehicles) were offset by depreciation expense for the fiscal year. For more information on capital assets, see Note 9 of the Basic Financial Statements.

At fiscal year-end, the School District had the following contractual purchase commitments:

<b>Vendor</b>	<b>Contract Amount</b>	<b>Amount Expended</b>	<b>Balance At 6/30/04</b>
Reddy Electric Co.	\$16,076	\$0	\$16,076
GM Mechanical	261,000	233,629	27,371
KAPP Construction	286,748	231,151	55,597
Roger Storer Plumbing, Inc.	24,475	0	24,475
Fanning/Howey Associates, Inc	40,000	20,000	20,000
Enterprise Roofing	16,987	0	16,987
Capitol Aluminum and Glass	232,912	215,862	17,050
KAPP Construction	1,210,480	1,066,876	143,604
<b>Total</b>	<b>\$2,088,678</b>	<b>\$1,767,518</b>	<b>\$321,160</b>

These contracts are for major improvements to the five school buildings and are being funded by the renewal permanent improvement levy.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Debt Administration**

At June 30, 2004, the School District only had a \$65,000 energy conservation loan as outstanding debt, all due within one year. This loan 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,**

	<u>2003</u>	<u>2004</u>
1995 Energy Conservation Loan	\$125,000	\$65,000

The School District's overall legal debt margin was \$28,849,204, the energy conservation debt margin was \$2,819,920 and the unvoted debt margin was \$320,547 at June 30, 2004.

For more information on the School District's debt, see Note 16 of the Basic Financial Statements.

**Current Financial Issues and Concerns**

The Clark-Shawnee Local School District is currently in a tenuous financial position. State funding to the district decreased during fiscal year causing an even greater percentage of the financial burden on the local taxpayer. 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 School District voted in August 2002 to renew two levies. The five-year permanent improvement will generate \$502,165 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 fund for day-to-day expenditures including salaries, fringe benefits, utilities, supplies, and equipment.

The administrative building was replaced during fiscal year 2004. Due to the age of the structure and the unfortunate collapse of a snow drift into the west wall of the building, the district administrative building was condemned in March 2003. The board of education evaluated the ideas of renting, buying an existing structure and renovating, or building new. The decision to build a new office structure was made during the fall of 2003 and the new administrative building was completed in the spring of 2004.

The central office and the board of education continue to focus their efforts to make improvements in the area of curriculum with emphasis on literacy. Many strategies have been implemented through the School District and building Continuous Improvement Plans to increase opportunities for students of the School District in the areas of both academic and extra-curricular. The central office administration continues to work diligently through teacher leadership and grade level/department level meetings to align the curriculum with the new state standards. Using research based teaching standards, the School District's thrust is to educate the students in a manner that will assist them in meeting the new state testing requirements along with maximizing their preparation for the future.

In comparison to other school districts in the state, the School District would not be considered a school district suffering with low wealth. This wealth factor is used by the state is result of dividing the total value of buildings, land, inventory, and equipment used for production by the student enrollment. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

Another concern that remains on the mind of the administration and the board of education is the State's over reliance on the local taxpayer to maintain current levels of funding. This requires management to plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Beginning in fiscal year 2004, the School District spent and will begin to spend more than its revenue for each respective year. Therefore, the accumulated carryover balance will be used, as long as it lasts, to offset the deficits.

During fiscal year 2004, the School District reviewed preliminary plans and recommendations from the Ohio Facilities Commission and adopted an Expedited Local Plan for improvements and upgrades to the buildings of the School District. The fifty-two million-dollar plan to construct new and renovate existing facilities continues to move forward with input from the community. The master plan is anticipated to be executed without additional revenue from the State and a plan for voter approval is expected during fiscal year 2005 after failing twice in calendar year 2004. The administrative team and the board of education will evaluate the current facilities and optimum means of delivering services to insure a more effective school configuration should not be considered.

In conclusion, the Clark-Shawnee Local School District continues to be committed to financial as well as educational excellence. 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, 3680 Selma Road, Springfield, Ohio 45502 or email at [cs\\_jturner@mveca.org](mailto:cs_jturner@mveca.org).

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

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$5,588,493
Accrued Interest Receivable	4,126
Accounts Receivable	31,597
Intergovernmental Receivable	220,997
Inventory of Supplies and Materials	44,871
Prepaid Items	99,657
Property and Other Taxes Receivable	8,783,611
Payment in Lieu of Taxes Receivable	60,527
Cash and Cash Equivalents With Fiscal Agents	5,000
Depreciable Capital Assets, Net	11,168,408
Land	641,103
Total Assets	<u>26,648,390</u>
<b>Liabilities:</b>	
Accounts Payable	130,926
Contracts Payable	4,000
Accrued Wages and Benefits Payable	1,499,970
Intergovernmental Payable	488,415
Matured Compensated Absences Payable	90,935
Deferred Revenue	7,376,520
Accrued Interest Payable	275
Vacation Leave Payable	20,682
Matured Bond Payable	5,000
Long Term Liabilities:	
Due Within One Year	149,522
Due In More Than One Year	1,230,487
Total Liabilities	<u>10,996,732</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	11,720,498
Restricted for:	
Capital Projects	1,050,404
Other Purposes	62,620
Set-Asides	220,938
Unrestricted	2,597,198
Total Net Assets	<u><u>\$15,651,658</u></u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges For Services and Sales</u>	<u>Operating Grants Contributions And Interest</u>
Governmental Activities			
Instruction:			
Regular	\$8,614,634	\$1,927,561	\$104,783
Special	1,833,531		627,330
Vocational	248,616	3,900	
Adult/Continuing	32,275		
Support Services:			
Pupils	637,598		
Instructional Staff	541,267		55,784
Board of Education	40,510		
Administration	1,684,254		19,593
Fiscal	436,156		324
Business	40,099		15,000
Operation and Maintenance of Plant	1,902,241	2,967	19,331
Pupil Transportation	883,290		1,072
Central	52,598		
Operation of Non-Instructional Services	624,261	542,638	63,933
Extracurricular Activities	629,037	318,033	3,659
Interest and Fiscal Charges	7,509		
Total Governmental Activities	<u>\$18,207,876</u>	<u>\$2,795,099</u>	<u>\$910,809</u>

General Revenues:  
 Property Taxes Levied for:  
   General Purposes  
   Capital Outlay  
 Grants and Entitlements not Restricted to  
   Specific Programs  
 Payment in Lieu of Taxes  
 Investment Earnings  
 Miscellaneous  
 Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - Restated (Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements.

<u>Program Revenues</u>	<u>Net (Expense) Revenue And Changes In Net Assets</u>
<u>Capital Grants And Contributions</u>	<u>Total Governmental Activities</u>
	(\$6,582,290)
	(1,206,201)
	(244,716)
	(32,275)
	(637,598)
	(485,483)
	(40,510)
	(1,664,661)
	(435,832)
	(25,099)
	(1,879,943)
\$70,650	(811,568)
	(52,598)
	(17,690)
	(307,345)
	(7,509)
<u>\$70,650</u>	<u>(14,431,318)</u>

8,250,295  
498,034

6,720,317  
164,592  
76,454  
49,467

15,759,159

1,327,841

14,323,817

\$15,651,658

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,072,189	\$1,017,116	\$278,250	\$5,367,555
Receivables:				
Property and Other Taxes	8,298,674	484,937		8,783,611
Payment in Lieu of Taxes	60,527			60,527
Accounts	31,064		533	31,597
Accrued Interest	4,082	31	13	4,126
Intergovernmental	205,449		15,548	220,997
Inventory of Supplies and Materials	35,508		9,363	44,871
Prepaid Items	99,031		626	99,657
Cash and Cash Equivalents With Fiscal Agents			5,000	5,000
Restricted Asset: Equity in Pooled Cash and Cash Equivalents	<u>220,938</u>			<u>220,938</u>
<b>Total Assets</b>	<u><u>13,027,462</u></u>	<u><u>1,502,084</u></u>	<u><u>309,333</u></u>	<u><u>14,838,879</u></u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	91,825	31,848	7,253	130,926
Contracts Payable	4,000			4,000
Matured Compensated Absences Payable	90,781		154	90,935
Accrued Wages and Benefits Payable	1,402,904		97,066	1,499,970
Intergovernmental Payable	309,802		17,355	327,157
Deferred Revenue	7,862,482	453,448	4,560	8,320,490
Matured Bond Payable			5,000	5,000
<b>Total Liabilities</b>	<u><u>9,761,794</u></u>	<u><u>485,296</u></u>	<u><u>131,388</u></u>	<u><u>10,378,478</u></u>
<b>Fund Balances</b>				
Reserved for Encumbrances	144,226	269,105	21,244	434,575
Reserved for Property Taxes	716,105	31,520		747,625
Reserved for Textbooks and Instructional Materials	148,615			148,615
Reserved for School Bus Purchases	72,323			72,323
Unreserved, Undesignated, Reported in:				
General Fund	2,184,399			2,184,399
Special Revenue Funds			156,023	156,023
Capital Projects Funds		716,163	678	716,841
<b>Total Fund Balances</b>	<u><u>3,265,668</u></u>	<u><u>1,016,788</u></u>	<u><u>177,945</u></u>	<u><u>4,460,401</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$13,027,462</u></u>	<u><u>\$1,502,084</u></u>	<u><u>\$309,333</u></u>	<u><u>\$14,838,879</u></u>

See accompanying notes to the basic financial statements.

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

Total Governmental Fund Balances	\$4,460,401
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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	\$641,103	
Building and Improvements	11,040,888	
Furniture and Equipment	2,720,488	
Vehicles	1,501,715	
Accumulated Depreciation	<u>(4,094,683)</u>	11,809,511
Total Capital Assets		

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

Property Taxes Receivable	659,466	
Payment in Lieu of Taxes Receivable	60,527	
Accounts Receivable	11,636	
Accrued Interest Receivable	4,126	
Intergovernmental Receivable	<u>208,215</u>	943,970

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	(24,013)	
Loans Payable	(65,000)	
Accrued Interest on Loans	(275)	
Accrued Vacation Leave Payable	(20,682)	
Compensated Absences	(1,290,996)	
Intergovernmental Payable	<u>(161,258)</u>	<u>(1,562,224)</u>

Net Assets of Governmental Activities	<u><u>\$15,651,658</u></u>
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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, 2004**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property and Other Taxes	\$8,108,959	\$490,604		\$8,599,563
Payment in Lieu of Taxes	160,238			160,238
Tuition and Fees	1,863,583			1,863,583
Interest	71,906	435	\$323	72,664
Intergovernmental	6,750,414	44,192	898,628	7,693,234
Extracurricular Activities			310,029	310,029
Charges for Services			542,638	542,638
Gifts and Donations		2,767	3,659	6,426
Rent	200			200
Miscellaneous	61,371			61,371
<b>Total Revenues</b>	<u>17,016,671</u>	<u>537,998</u>	<u>1,755,277</u>	<u>19,309,946</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	8,835,884	11,330	138,927	8,986,141
Special	1,165,818		640,868	1,806,686
Vocational	264,277			264,277
Adult/Continuing	32,275			32,275
Support Services:				
Pupils	642,638			642,638
Instructional Staff	495,968		64,018	559,986
Board of Education	40,510			40,510
Administration	1,668,368		24,260	1,692,628
Fiscal	413,570	8,601	323	422,494
Business	25,099		15,000	40,099
Operation and Maintenance of Plant	1,453,750	177,767	29,857	1,661,374
Pupil Transportation	929,017		1,939	930,956
Central	52,594			52,594
Operation of Non-Instructional Services	14,168		612,646	626,814
Extracurricular Activities	340,328		294,079	634,407
Capital Outlay	1,468,140	1,547,527		3,015,667
Debt Service:				
Principal Retirement	84,151			84,151
Interest and Fiscal Charges	7,770			7,770
<b>Total Expenditures</b>	<u>17,934,325</u>	<u>1,745,225</u>	<u>1,821,917</u>	<u>21,501,467</u>
Excess of Revenues Under Expenditures	(917,654)	(1,207,227)	(66,640)	(2,191,521)
Other Financing Sources:				
Inception of Capital Lease	24,550			24,550
Net Change in Fund Balances	(893,104)	(1,207,227)	(66,640)	(2,166,971)
Fund Balances at Beginning of Year	4,158,772	2,224,015	244,585	6,627,372
Fund Balances at End of Year	<u>\$3,265,668</u>	<u>\$1,016,788</u>	<u>\$177,945</u>	<u>\$4,460,401</u>

See accompanying notes to the basic financial statements.

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds (\$2,166,971)

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	\$4,028,660	
Depreciation Expense	(760,651)	
Excess of Capital Outlay over Depreciation Expense	3,268,009	3,268,009

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		(35,509)
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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 fiscal year, these amounts consist of:

Loan Principal Payments	60,000	
Capital Lease Payments	24,151	
Total long-term debt repayment	84,151	84,151

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

Property Taxes	148,766	
Payment in Lieu of Taxes	4,354	
Tuition and Fees	6,875	
Accrued Interest	4,126	
Intergovernmental Grants	61,650	
	225,771	225,771

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.

(24,550)

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	261	
Increase in Compensated Absences	(5,522)	
Increase in Intergovernmental Payable	(19,565)	
Decrease in Vacation Leave Payable	1,766	
	(23,060)	(23,060)

Change in Net Assets of Governmental Activities		\$1,327,841
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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 - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property and Other Taxes	\$7,762,190	\$7,545,841	\$7,545,841	\$0
Payment in Lieu of Taxes	160,000	160,238	160,238	0
Tuition and Fees	595,425	1,751,448	1,751,448	0
Interest		72,869	72,869	0
Intergovernmental	7,400,000	6,732,731	6,732,731	0
Rent	500	200	200	0
Miscellaneous		48,011	48,011	0
<b>Total Revenues</b>	<u>15,918,115</u>	<u>16,311,338</u>	<u>16,311,338</u>	<u>0</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,181,851	8,678,678	8,678,678	0
Special	1,111,709	1,141,379	1,141,379	0
Vocational	245,238	274,732	274,732	0
Adult/Continuing	50,000	32,275	32,275	0
Other	65,000	89,394	89,394	0
<b>Support Services:</b>				
Pupils	639,092	615,349	615,349	0
Instructional Staff	404,624	481,652	481,652	0
Board of Education	54,225	42,840	42,840	0
Administration	1,773,464	1,784,505	1,784,505	0
Fiscal	357,738	411,298	411,298	0
Business	25,250	25,490	25,490	0
Operation and Maintenance of Plant	1,380,209	1,518,578	1,518,578	0
Pupil Transportation	1,041,883	930,517	930,517	0
Central	59,300	52,500	52,500	0
Operation of Non-Instructional Services	17,500	13,931	13,931	0
Extracurricular Activities	405,571	341,929	341,929	0
Capital Outlay	1,493,472	1,492,714	1,492,714	0
<b>Debt Service:</b>				
Principal Retirement	40,000	60,000	60,000	0
Interest and Fiscal Charges	10,000	6,438	6,438	0
<b>Total Expenditures</b>	<u>17,356,126</u>	<u>17,994,199</u>	<u>17,994,199</u>	<u>0</u>
<b>Excess of Revenues Under Expenditures</b>	(1,438,011)	(1,682,861)	(1,682,861)	0
<b>Other Financing Sources:</b>				
Refund of Prior Year Expenditure	170,000	138,982	138,982	0
<b>Net Change in Fund Balances</b>	(1,268,011)	(1,543,879)	(1,543,879)	0
Fund Balances at Beginning of Year	3,395,469	3,395,469	3,395,469	0
Prior Year Encumbrances Appropriated	1,509,667	1,509,667	1,509,667	0
<b>Fund Balances at End of Year</b>	<u>\$3,637,125</u>	<u>\$3,361,257</u>	<u>\$3,361,257</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.



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

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$96,454	\$31,972
Receivables:		
Accrued Interest	70	
	96,524	\$31,972
Total Assets	96,524	\$31,972
<b>Liabilities:</b>		
Accounts Payable		\$337
Due to Students		31,635
Total Liabilities		\$31,972
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$96,524	

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
Additions:	
Interest	\$1,105
Miscellaneous	2,993
Total Additions	4,098
Deletions:	
Scholarships Awarded	11,968
Change in Net Assets	(7,870)
Net Assets Beginning of Year	104,394
Net Assets End of Year	\$96,524

*See accompanying notes to the basic financial statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**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, 146 certificated full-time teaching personnel, and 11 administrative employees and 2 supervisors who provide services to 2,544 students and other community members. The School District currently operates one kindergarten building, three elementary/middle schools (1-8) 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 School District participates in five jointly governed organizations and two insurance purchasing pools. 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 Pools:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**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 government-wide financial statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal 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.

**2. Fund Financial Statements:**

During the fiscal 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified 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.

**1. Revenues - Exchange and Non-exchange Transactions:**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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, 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, 2004, but which were levied to finance fiscal year 2005 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:**

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

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

**E. 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. Interest in the pool is presented as "Cash and Cash Equivalents." 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 as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

During fiscal year 2004, the School District invested in Victory Money Market Mutual Fund, First American Treasury Money Market Mutual Fund, Federal Home Loan Bank Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association Discount Notes, Federal Home Loan Mortgage Corporation Discount Notes, and the State Treasury Assets Reserve of Ohio (STAR Ohio). Investments are reported at fair value which for mutual funds is based on current share price. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

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 2004 amounted to \$71,906, which includes \$19,894 assigned from other School District funds.

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 reported as cash equivalents.

**F. Inventory**

Inventories are presented at cost 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.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**H. 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 for textbooks and instructional materials, and unexpended revenues restricted for the purchase of school buses.

**I. 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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal 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:

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

**J. 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.

**K. 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 service with the State Teachers Retirement System of Ohio (STRS Ohio) or the School Employees Retirement System (SERS).

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

**L. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, debt service, and federal and state grants restricted to expenditures for specified purposes.

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

**N. Interfund Activity**

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

**O. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. 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. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the fiscal 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 2004. Prior to fiscal 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 which was in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year which matched actual expenditures plus encumbrances at fiscal year-end.

**3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS**

During fiscal year 2004, the School District implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units. The implementation of this statement had no effect on the reporting entity for the School District.

Net assets were restated for capital assets due to errors in depreciation calculation and the omitting of a few assets.

The following table summarizes the change to net assets:

Net Assets as previously reported	\$13,504,053
Capital Assets, Net	819,764
Restated Net Assets at June 30, 2003	<u>\$14,323,817</u>

This change had an immaterial effect on the change in net assets as previously reported.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. FUND DEFICITS**

The lunchroom and schoolnet professional development special revenue funds had deficit fund balances at June 30, 2004, of \$20,289 and \$20, respectively. The general fund is liable for any deficit in this fund and will provide operating transfers when cash is required, not when accruals occur.

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
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	(\$893,104)
Net Adjustment for Revenue Accruals	(153,230)
Net Adjustment for Expenditure Accruals	188,443
Unrecorded Cash FY04	(717,076)
Unrecorded Cash FY03	279,405
Prepaid Items	(33,523)
Adjustment for Encumbrances	(214,794)
Budget Basis	<u><u>(\$1,543,879)</u></u>

**6. DEPOSITS AND INVESTMENTS**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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 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;
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) 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand:**

At fiscal 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 "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."

**B. Deposits:**

At fiscal year-end, the carrying amount of the School District's deposits was \$2,720,908 and the bank balance was \$2,860,538. \$215,698 of the bank balance was covered by federal depository insurance and \$2,644,840 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 fiscal 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 Market Mutual Fund, First American Treasury Money Market Mutual Fund and the STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

	<u>Category 2</u>	<u>Unclassified</u>	<u>Fair Value</u>
Victory Money Market Mutual Fund	\$0	\$837,980	\$837,980
Federal Home Loan Bank Notes	199,176	0	199,176
Federal Home Loan Mortgage Corporation Discount Notes	397,470	0	397,470
Federal National Mortgage Association Discount Notes	393,400	0	393,400
First American Treasury Money Market Mutual Fund	0	9,257	9,257
Federal Home Loan Bank Bond	1,000,000	0	1,000,000
STAR Ohio	0	163,628	163,628
Total	<u>\$1,990,046</u>	<u>\$1,010,865</u>	<u>\$3,000,911</u>

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:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$5,721,919	\$0
Cash on Hand	(100)	0
Investments:		
Victory Money Market Mutual Fund	(837,980)	837,980
Federal Home Loan Bank Notes	(199,176)	199,176
Federal Home Loan Mortgage Corporation Discount Notes	(397,470)	397,470
Federal National Mortgage Association Discount Notes	(393,400)	393,400
First American Treasury Money Market Mutual Fund	(9,257)	9,257
Federal Home Loan Bank Bond	(1,000,000)	1,000,000
STAR Ohio	(163,628)	163,628
GASB Statement No. 3	<u>\$2,720,908</u>	<u>\$3,000,911</u>

**7. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance is recognized as revenue. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The amount available as an advance at June 30, 2004, was \$716,105 in the general fund and \$31,520 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2003, was \$591,587 in the general fund and \$28,245 in the permanent improvement capital projects fund.

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

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$243,704,150	77.67%	\$260,926,690	81.40%
Public Utility Personal	15,136,760	4.82	14,483,190	4.52
Tangible Personal Property	54,950,442	17.51	45,136,826	14.08
<b>Total</b>	<b>\$313,791,352</b>	<b>100.00%</b>	<b>\$320,546,706</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$38.09		\$38.09	



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. RECEIVABLES**

Receivables at June 30, 2004, consisted of property taxes, payment in lieu of taxes, accounts (tuition and student fees), interest, and intergovernmental grants. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables are as follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Governmental Activities:	
Tuition from other school districts	\$204,701
Title I	1,347
Title II-A	14,201
Bureau of Workers' Compensation Refund	748
Total Intergovernmental Receivables	<u>\$220,997</u>

**9. CAPITAL ASSETS**

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

	<u>Restated Balance 6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/04</u>
<b>Governmental Activities</b>				
Capital Assets, not Being Depreciated:				
Land	\$ 226,977	\$ 414,126	\$ 0	\$ 641,103
Construction in Progress	286,027	0	(286,027)	0
Total Capital Assets, not Being Depreciated	<u>513,004</u>	<u>414,126</u>	<u>(286,027)</u>	<u>641,103</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	7,623,041	3,441,943	(24,096)	11,040,888
Furniture and Equipment	2,531,580	272,235	(83,327)	2,720,488
Vehicles	1,377,708	186,383	(62,376)	1,501,715
Total Capital Assets, Being Depreciated	<u>11,532,329</u>	<u>3,900,561</u>	<u>(169,799)</u>	<u>15,263,091</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,873,452)	(299,509)	17,108	(2,155,853)
Furniture and Equipment	(1,007,543)	(332,576)	63,489	(1,276,630)
Vehicles	(587,327)	(128,566)	53,693	(662,200)
Total Accumulated Depreciation	<u>(3,468,322)</u>	<u>(760,651)</u>	<u>134,290</u>	<u>(4,094,683)</u>
Capital Assets, Being Depreciated, Net	<u>8,064,007</u>	<u>3,139,910</u>	<u>( 35,509)</u>	<u>11,168,408</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,577,011</u>	<u>\$3,554,036</u>	<u>(\$321,536)</u>	<u>\$11,809,511</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. CAPITAL ASSETS (Continued)**

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$201,145
Special	4,910
Vocational	99
Support Services:	
Pupil	578
Instructional Staff	6,662
Administration	28,517
Fiscal	5,334
Operation and Maintenance of Plant	348,239
Pupil Transportation	123,410
Operation of Non-Instructional Services	7,451
Extracurricular Activities	34,306
Total Depreciation Expense	\$760,651

**10. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the School District contracted with Marsh for liability, property, crime, and fleet insurance.

Coverage provided by Marsh is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$41,053,880
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	3,000,000

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2004, 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.

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$196,378, \$181,667 and \$115,985 respectively; 39.83 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,180,628, \$1,137,560, and \$754,676 respectively; 82.65 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**12. POSTEMPLOYMENT BENEFITS**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$90,818 for fiscal year 2004.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease from 5.83 percent in fiscal year 2003. 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 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$146,007.

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

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**13. OTHER EMPLOYEE BENEFITS (Continued)**

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 METLIFE Insurance Company. Medical/surgical benefits are provided through Anthem through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (See Note 17).

**14. CAPITAL LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the School District entered into capital leases for the acquisition of two 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. 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. Principal payments in fiscal year 2004 totaled \$24,151.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$64,289, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on these assets at June 30, 2004, was \$36,638 and the carrying value was \$27,651.

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, 2004.

<b>Fiscal Year Ending June 30,</b>	<b>Total Payments</b>
2005	\$17,105
2006	8,725
Total	25,830
Less: Amount Representing Interest	(1,817)
Present Value of Net Minimum Lease Payments	\$24,013

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2004, the School District had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 6/30/04</u>
Reddy Electric Co.	\$16,076	\$0	\$16,076
GM Mechanical	261,000	233,629	27,371
KAPP Construction	286,748	231,151	55,597
Roger Storer Plumbing, Inc.	24,475	0	24,475
Fanning/Howey Associates, Inc	40,000	20,000	20,000
Enterprise Roofing	16,987	0	16,987
Capitol Aluminum and Glass	232,912	215,862	17,050
KAPP Construction	1,210,480	1,066,876	143,604
Total	<u>\$2,088,678</u>	<u>\$1,767,518</u>	<u>\$321,160</u>

**16. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	<u>Amount Outstanding 6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/04</u>	<u>Amounts Due in One Year</u>
Governmental Activities					
Energy Conservation					
Loan 1995 5.15%	\$125,000	\$0	\$60,000	\$65,000	\$65,000
Capital Leases	23,614	24,550	24,151	24,013	15,841
Compensated Absences	1,285,474	69,466	63,944	1,290,996	68,681
Total Governmental Activities Long - Term Liabilities	<u>\$1,434,088</u>	<u>\$94,016</u>	<u>\$148,095</u>	<u>\$1,380,009</u>	<u>\$149,522</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 \$28,849,204, the energy conservation debt margin was \$2,819,920 and the unvoted debt margin was \$320,547 at June 30, 2004.

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 2004, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$65,000	\$3,347	\$68,347

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS**

**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, Clinton, Fayette, Greene and Highland 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 six representatives from the member districts 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 \$75,665 for services provided during the fiscal year. Financial information can be obtained from Norma Stewart, Executive 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 2004, the School District paid \$34,358 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, 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 2004, the School District paid \$2,360 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, 2004  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

**Clark County Family and Children First Council** - The Clark County Family and Children First Council (FCFC) 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 Clark Shawnee 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 2004. 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 Pools**

**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 an eleven member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Southwestern Ohio Educational Purchasing Council Medical Benefits Plan** - The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP 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, 2004  
(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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. 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 fiscal year-end set-aside amounts for textbooks and instructional materials, capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks and Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2003	\$35,158	(\$446,888)	\$51,799
Current Year Set-aside Requirement	330,411	330,411	0
Qualifying Disbursements	(216,954)	(1,086,348)	(51,799)
Current Year Offsets	0	(461,029)	0
Totals	<u>\$148,615</u>	<u>(\$1,663,854)</u>	<u>\$0</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$148,615</u>	<u>(\$1,663,854)</u>	<u>\$0</u>
Set-aside Reserve Balances as of June 30, 2004	<u>\$148,615</u>	<u>\$0</u>	<u>\$0</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 \$148,615.

**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, 2004.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(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.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	NA	10.550		\$49,750		\$47,175
National School Lunch Program	LL-P4-03 LL-P4-04	10.555	\$31,400 94,508		\$31,400 94,508	
Total National School Lunch Program			<u>125,908</u>		<u>125,908</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			125,908	49,750	125,908	47,175
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-03 C1-S1-04	84.010	31,535 315,559		90,659 253,614	
Total Title I			<u>347,094</u>		<u>344,273</u>	
Special Education Cluster:						
Special Education Grants to States	6B-SD-04-P 6B-SF-04-P	84.027	12,308 246,101		25,116 246,101	
Total Special Education Grants to States			<u>258,409</u>		<u>271,217</u>	
<i>Passed Through Clark County Educational Service Center:</i>						
Special Education - Preschool Grant	NA	84.173	12,193		12,193	
Total Special Education Cluster			<u>270,602</u>		<u>283,410</u>	
<i>Passed Through Ohio Department of Education:</i>						
Drug Free Schools Grant	DR-S1-04	84.186	13,383		13,383	
Innovative Educational Program Strategy	C2-S1-03 C2-S1-04	84.298	2,364 13,764		3,744 10,886	
Total Innovative Educational Program Strategy			<u>16,128</u>		<u>14,630</u>	
Technology Literacy Challenge Fund Grant	TJ-S1-03 TJ-S1-04	84.318	402 8,578		743 8,578	
Total Technology Literacy Challenge Fund Grant			<u>8,980</u>		<u>9,321</u>	
Improving Teacher Quality Grant	TR-S1-03 TR-S1-04	84.367	24,956 95,812		43,172 77,748	
Total Improving Teacher Quality			<u>120,768</u>		<u>120,920</u>	
<b>Total U. S. Department of Education</b>			<u>776,955</u>	49,750	<u>785,937</u>	47,175
<b>Total Federal Financial Assistance</b>			<u><b>\$902,863</b></u>	<u><b>\$49,750</b></u>	<u><b>\$911,845</b></u>	<u><b>\$47,175</b></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State Grants and local funds. 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 complied with these matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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## 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  
3680 Selma Road  
Springfield, Ohio 45502

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clark-Shawnee Local School District, Clark County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 6, 2005. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to the District's management in a separate letter dated January 6, 2005.

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

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

**Betty Montgomery**  
Auditor of State

January 6, 2005





## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Clark-Shawnee Local School District  
Clark County  
3680 Selma 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, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. 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 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, 2004.

#### Internal Control Over Compliance

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

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**Internal Control Over Compliance  
(Continued)**

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

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



**Betty Montgomery**  
Auditor of State

January 6, 2005

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

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster CFDA #84.027, 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	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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**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  
FEBRUARY 10, 2005**