

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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**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, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's 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 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 5, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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, 2005. 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 2005 are as follows:

In total, net assets decreased \$1,932,593 which represents a 12 percent decrease from 2004.

General revenues accounted for \$14,091,136 in revenue or 77 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 \$4,167,216 or 23 percent of total revenues of \$18,258,352.

Total assets of governmental activities decreased by \$781,057. Cash and cash equivalents decreased by \$1,678,396 and capital assets increased by \$105,516.

The School District had \$20,190,945 in expenses; only \$4,167,216 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) of \$14,091,136 also contributed to these programs.

Among major funds, the General Fund had \$15,847,831 in revenues and \$17,609,914 in expenditures. The General Fund's balance decreased \$1,738,574 from 2004.

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, 2005
(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 2005?" 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 9. 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, 2005
(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 2005 compared to 2004:

**Table 1
Net Assets**

	2004	2005
Assets		
Current and Other Assets	\$14,838,879	\$13,952,306
Capital Assets	11,809,511	11,915,027
Total Assets	26,648,390	25,867,333
Liabilities		
Long-Term Liabilities	1,380,009	1,296,203
Other Liabilities	9,616,723	10,852,065
Total Liabilities	10,996,732	12,148,268
Net Assets		
Invested in Capital Assets, Net of Debt	11,720,498	11,891,726
Restricted	1,333,962	1,018,868
Unrestricted	2,597,198	808,471
Total Net Assets	\$15,651,658	\$13,719,065

Total assets of governmental activities decreased by \$781,057. Cash and cash equivalents decreased by \$1,678,396 and capital assets increased by \$105,516. 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 \$1,788,727.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2004 and 2005.

	<u>2004</u>	<u>2005</u>	<u>Percent Change</u>
Revenues			
Program Revenues:			
Charges for Services	\$2,795,099	\$2,949,786	5.53%
Operating Grants and Contributions	910,809	1,177,131	29.24%
Capital Grants and Contributions	70,650	40,299	-42.96%
Total Program Revenues	<u>3,776,558</u>	<u>4,167,216</u>	10.34%
General Revenues			
Property Taxes	8,748,329	7,446,999	-14.88%
Grants and Entitlements Not Restricted	6,720,317	6,339,708	-5.66%
Other	290,513	304,429	4.79%
Total General Revenues	<u>15,759,159</u>	<u>14,091,136</u>	-10.58%
Total Revenues	<u>19,535,717</u>	<u>18,258,352</u>	-6.54%
Program Expenses			
Instruction	10,729,056	11,996,624	11.81%
Support Services:			
Pupils and Instructional Staff	1,178,865	1,271,558	7.86%
Board of Education, Administration, Fiscal and Business	2,201,019	2,319,956	5.40%
Operation and Maintenance of Plant	1,902,241	2,017,240	6.05%
Pupil Transportation	883,290	1,102,539	24.82%
Central	52,598	45,196	-14.07%
Operation of Non-Instructional Services	624,261	780,178	24.98%
Extracurricular Activities	629,037	653,387	3.87%
Interest and Fiscal Charges	7,509	4,267	-43.17%
Total Expenses	<u>18,207,876</u>	<u>20,190,945</u>	10.89%
Increase (Decrease) in Net Assets	<u>\$1,327,841</u>	<u>(\$1,932,593)</u>	-245.54%

Governmental Activities

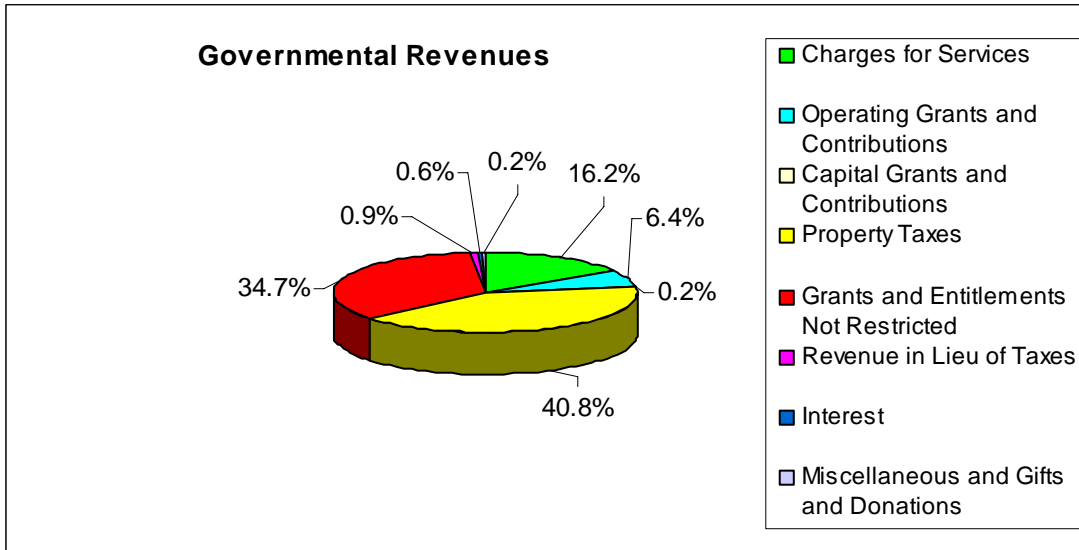
The 29.24% increase in operating grants and contributions occurred as an increase in Special Education, IDEA grants of approximately \$150,000, Title I of approximately \$31,000 and Lunchroom grants of approximately \$154,000. Capital grants and contributions decreased due to less monies received from the State for the purchase of buses.

The decrease in property taxes is due to a decrease in the amount available for advance at June 30 of \$383,000 and a decrease in the June tangible personal property settlement of \$385,000. Pupil transportation increased due to higher gas prices, summer school transportation, and the addition of bus aides for special education students. Operation of Non-Instructional Services increased due to the purchase of a new food service freezer and a larger expenditure for School Employees Retirement System surcharge.

Interest and fiscal charges expenditures decreased as the School District made its last payment on the Energy Conservation Loan.

CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)



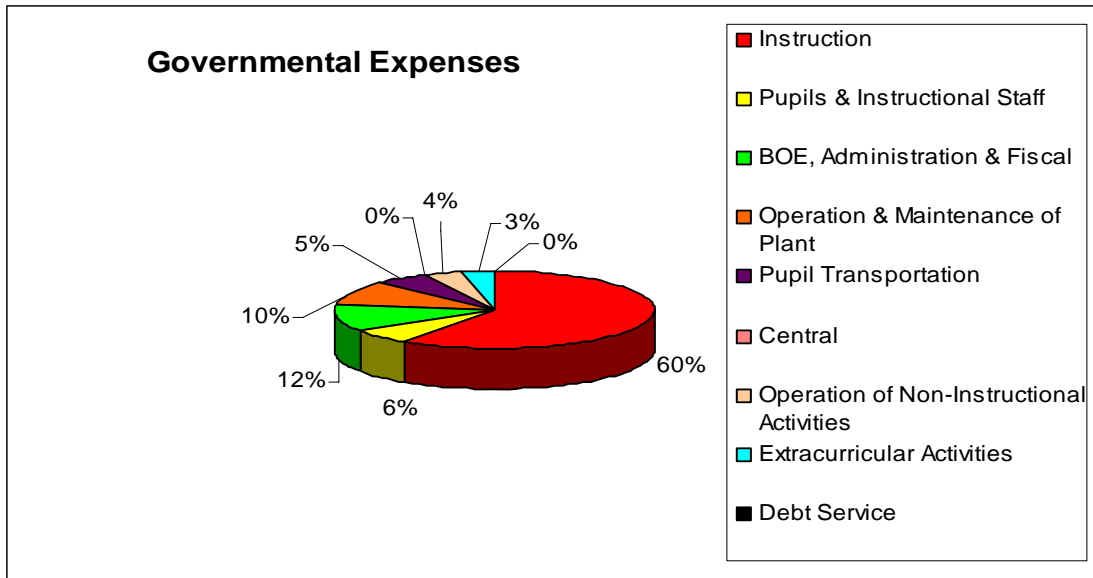
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes made up 40.8 percent of revenues for governmental activities for the Clark-Shawnee Local School District for fiscal year 2005.

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. 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 at the state level and new state legislation has caused a cut in state basic aid for the third straight year. This situation required the administration to institute cuts in the amount of \$400,000 for FY06 and a watchful eye during fiscal year 2007 to insure the emergency monies last the life of the levy.

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 and the administration has held funds generated in the FY05 year to due a large visual improvement project to the lower hallway and foyer at Shawnee High School during the summer of 2006. This levy also expires in 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**



Instruction comprises 59 percent of district expenses. Support services expenses make up 33 percent of the expenses.

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

1. A three percent base salary increase
2. Approximately 1.45 percent in step increases
3. Addition of a fourth 7th grade section at Possum School and a special education coordinator 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

	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2004</u>	<u>Total Cost of Services 2005</u>	<u>Net Cost of Services 2005</u>
Instruction	\$10,729,056	(\$8,065,482)	\$11,996,624	(\$9,022,296)
Support Services:				
Pupils and Instructional Staff	1,178,865	(1,123,081)	1,271,558	(1,231,988)
Board of Education, Administration, Fiscal and Business	2,201,019	(2,166,102)	2,319,956	(2,270,408)
Operation and Maintenance of Plant	1,902,241	(1,879,943)	2,017,240	(1,997,681)
Pupil Transportation	883,290	(811,568)	1,102,539	(1,082,742)
Central	52,598	(52,598)	45,196	(45,196)
Operation of Non-Instructional Services	624,261	(17,690)	780,178	(7,389)
Extracurricular Activities	629,037	(307,345)	653,387	(361,762)
Interest and Fiscal Charges	7,509	(7,509)	4,267	(4,267)
Total Expenses	<u>\$18,207,876</u>	<u>(\$14,431,318)</u>	<u>\$20,190,945</u>	<u>(\$16,023,729)</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. Over 75 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 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$18,352,595 and expenditures of \$20,396,978. The net change in fund balance for the year was significant in the General Fund as fund balance decreased \$1,738,574 due to decreased revenues. The Permanent Improvement Fund's fund balance decreased \$268,960.

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 2005, the School District amended its General Fund budget numerous times, which resulted in appropriations decreasing \$833,025, a 5 percent decrease. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to 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 \$16,632,820. The original budgeted estimate was \$17,788,250.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Capital Assets

At the end of fiscal year 2005, the School District had \$11,915,027 invested in land, buildings and improvements, furniture and equipment, and vehicles.

Table 4 shows fiscal year 2005 balances compared to 2004.

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

	2004	2005
Land	\$641,103	\$641,103
Buildings and Improvements	8,885,035	9,093,035
Furniture and Equipment	1,443,858	1,294,919
Vehicles	839,515	885,970
Totals	<u>\$11,809,511</u>	<u>\$11,915,027</u>

Overall capital assets increased \$105,516 from fiscal year 2004 to fiscal year 2005. 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:

Vendor	Contract Amount	Expended	Remaining Balance
Blessing Pump Service, Inc.	\$16,196		\$16,196
Field and Associates	48,730	\$46,607	2,123
Geuy Construction Company	171,500	155,170	16,330
Roger Storer Plumbing and Heating	52,908	26,773	26,135
National Sound and Lighting	5,800		5,800
Griffith Sheet Metal	149,000	135,404	13,596
Lifetouch Publishing Inc.	6,048		6,048
JMD Architectural Products Inc	42,490	11,995	30,495
Doll Layman Engineers	20,225		20,225
Hilliard Glass and Service	23,525		23,525
Zimmerman School Equipment	6,598		6,598
	<u>\$543,020</u>	<u>\$375,949</u>	<u>\$167,071</u>

These contracts are for major improvements to the 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, 2005
(Continued)**

Debt Administration

During fiscal year 2005, the School District made its final payment on the energy conservation loan. This loan was originally dated July 15, 1995, in the amount of \$515,000. The project updated the School District's energy management system, retrofitted lighting, and added technology cabling.

**Table 5
Outstanding Debt at June 30,**

	<u>2004</u>	<u>2005</u>
1995 Energy Conservation Loan	\$65,000	\$0

The School District's overall legal debt margin was \$31,363,919, the energy conservation debt margin was \$3,136,392 and the unvoted debt margin was \$348,488 at June 30, 2005.

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 School District decreased during the 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 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. The entire school district community is extremely proud it's first ever "Excellent" rating through the State Department of Education.

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, used by the State, is the 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, 2005
(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 more than its revenue for that respective year. Therefore, the accumulated carryover balance will be used, as long as it lasts, to offset the deficits. During fiscal year 2005, the School District continued to review 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 has been moved from the forefront as the board of education is seeking additional input from the community. The master plan may be altered from its original layout as the School District voters have failed to approve the new middle school concept on two different occasions. 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.

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

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,910,097
Accounts Receivable	14,820
Intergovernmental Receivable	229,768
Inventory of Supplies and Materials	67,086
Prepaid Items	86,669
Property and Other Taxes Receivable	9,575,550
Payment in Lieu of Taxes Receivable	63,316
Cash and Cash Equivalents	
With Fiscal Agents	5,000
Depreciable Capital Assets, Net	11,273,924
Land	641,103
Total Assets	<u>25,867,333</u>
Liabilities:	
Accounts Payable	131,175
Contracts Payable	87,305
Accrued Wages and Benefits Payable	1,701,456
Intergovernmental Payable	474,751
Retainage Payable	4,939
Matured Compensated Absences Payable	111,205
Deferred Revenue	8,308,479
Vacation Leave Payable	27,755
Matured Bond Payable	5,000
Long Term Liabilities:	
Due Within One Year	94,652
Due In More Than One Year	1,201,551
Total Liabilities	<u>12,148,268</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	11,891,726
Restricted for:	
Capital Projects	778,748
Other Purposes	57,494
Set-Asides	182,626
Unrestricted	808,471
Total Net Assets	<u><u>\$13,719,065</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, 2005**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants Contributions and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
					<u>Total Governmental Activities</u>
Governmental Activities					
Instruction:					
Regular	\$10,098,961	\$2,108,907	\$111,054	\$22,260	(\$7,856,740)
Special	1,655,048		732,107		(922,941)
Vocational	211,369				(211,369)
Adult/Continuing	31,246				(31,246)
Support Services:					
Pupils	664,569				(664,569)
Instructional Staff	606,989		39,570		(567,419)
Board of Education	78,936				(78,936)
Administration	1,755,574		34,548		(1,721,026)
Fiscal	445,027				(445,027)
Business	40,419		15,000		(25,419)
Operation and Maintenance of Plant	2,017,240		19,559		(1,997,681)
Pupil Transportation	1,102,539		1,758	18,039	(1,082,742)
Central	45,196				(45,196)
Operation of Non-Instructional Services	780,178	553,973	218,816		(7,389)
Extracurricular Activities	653,387	286,906	4,719		(361,762)
Interest and Fiscal Charges	4,267				(4,267)
Total Governmental Activities	<u>\$20,190,945</u>	<u>\$2,949,786</u>	<u>\$1,177,131</u>	<u>\$40,299</u>	<u>(16,023,729)</u>
General Revenues:					
Property Taxes Levied for:					
General Purposes					7,035,622
Capital Outlay					411,377
Grants and Entitlements not Restricted to					
Specific Programs					6,339,708
Payment in Lieu of Taxes					160,105
Gifts and Donations					5,000
Investment Earnings					115,528
Miscellaneous					23,796
Total General Revenues					<u>14,091,136</u>
Change in Net Assets					(1,932,593)
Net Assets Beginning of Year					<u>15,651,658</u>
Net Assets End of Year					<u>\$13,719,065</u>

See accompanying notes to the basic financial statements.

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,651,820	\$804,926	\$270,725	\$3,727,471
Receivables:				
Property and Other Taxes	9,009,449	566,101		9,575,550
Payment in Lieu of Taxes	63,316			63,316
Accounts	14,779		41	14,820
Intergovernmental	209,735		20,033	229,768
Inventory of Supplies and Materials	55,231		11,855	67,086
Prepaid Items	86,183		486	86,669
Cash and Cash Equivalents With Fiscal Agents			5,000	5,000
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	<u>182,626</u>			<u>182,626</u>
Total Assets	<u>12,273,139</u>	<u>1,371,027</u>	<u>308,140</u>	<u>13,952,306</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	115,013		16,162	131,175
Contracts Payable		87,305		87,305
Retainage Payable		4,939		4,939
Matured Compensated Absences Payable	91,491		19,714	111,205
Accrued Wages and Benefits Payable	1,605,833		95,623	1,701,456
Intergovernmental Payable	436,576		38,175	474,751
Deferred Revenue	8,627,251	530,955		9,158,206
Matured Bond Payable			5,000	5,000
Total Liabilities	<u>10,876,164</u>	<u>623,199</u>	<u>174,674</u>	<u>11,674,037</u>
Fund Balances:				
Reserved for Encumbrances	75,333	124,026	28,632	227,991
Reserved for Property Taxes	332,740	17,769		350,509
Reserved for Textbooks and Instructional Materials	164,587			164,587
Reserved for School Bus Purchases	18,039			18,039
Unreserved, Undesignated, Reported in:				
General Fund	806,276			806,276
Special Revenue Funds			102,638	102,638
Capital Projects Funds		606,033	2,196	608,229
Total Fund Balances	<u>1,396,975</u>	<u>747,828</u>	<u>133,466</u>	<u>2,278,269</u>
Total Liabilities and Fund Balances	<u>\$12,273,139</u>	<u>\$1,371,027</u>	<u>\$308,140</u>	<u>\$13,952,306</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, 2005**

Total Governmental Fund Balances	\$2,278,269
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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	11,493,405	
Furniture and Equipment	2,578,994	
Vehicles	1,596,485	
Accumulated Depreciation	<u>(4,394,960)</u>	11,915,027
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	566,598	
Payment in Lieu of Taxes Receivable	63,316	
Accounts Receivable	10,838	
Intergovernmental Receivable	<u>208,975</u>	849,727

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	(23,301)	
Vacation Leave Payable	(27,755)	
Compensated Absences Payable	<u>(1,272,902)</u>	<u>(1,323,958)</u>

Net Assets of Governmental Activities	<u><u>\$13,719,065</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, 2005**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and Other Taxes	\$7,124,307	\$415,560		\$7,539,867
Payment in Lieu of Taxes	157,316			157,316
Tuition and Fees	2,101,103			2,101,103
Interest	118,836	805	\$678	120,319
Intergovernmental	6,319,178	45,151	1,191,972	7,556,301
Extracurricular Activities			286,906	286,906
Charges for Services	3,295		553,973	557,268
Gifts and Donations		5,000	4,719	9,719
Rent	8,975			8,975
Miscellaneous	14,821			14,821
Total Revenues	<u>15,847,831</u>	<u>466,516</u>	<u>2,038,248</u>	<u>18,352,595</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,775,233	20,819	146,320	9,942,372
Special	922,918	1,591	739,727	1,664,236
Vocational	209,432			209,432
Adult/Continuing	31,246			31,246
Support Services:				
Pupils	664,222			664,222
Instructional Staff	562,651		41,846	604,497
Board of Education	78,936			78,936
Administration	1,740,739		38,489	1,779,228
Fiscal	437,459	8,681		446,140
Business	25,419		15,000	40,419
Operation and Maintenance of Plant	1,481,417	41,397	29,679	1,552,493
Pupil Transportation	1,088,882		2,525	1,091,407
Central	45,196			45,196
Operation of Non-Instructional Services	15,851		771,204	787,055
Extracurricular Activities	363,917		266,798	630,715
Capital Outlay	72,633	662,988		735,621
Debt Service:				
Principal Retirement	89,221			89,221
Interest and Fiscal Charges	4,542			4,542
Total Expenditures	<u>17,609,914</u>	<u>735,476</u>	<u>2,051,588</u>	<u>20,396,978</u>
Excess of Revenues Under Expenditures	(1,762,083)	(268,960)	(13,340)	(2,044,383)
Other Financing Source:				
Inception of Capital Lease	23,509			23,509
Net Change in Fund Balances	<u>(1,738,574)</u>	<u>(268,960)</u>	<u>(13,340)</u>	<u>(2,020,874)</u>
Fund Balances at Beginning Of Year - Restated (See note 3)	<u>3,135,549</u>	<u>1,016,788</u>	<u>146,806</u>	<u>4,299,143</u>
Fund Balances at End of Year	<u>\$1,396,975</u>	<u>\$747,828</u>	<u>\$133,466</u>	<u>\$2,278,269</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, 2005**

Net Change in Fund Balances - Total Governmental Funds (\$2,020,874)

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	687,251	
Depreciation Expense	(503,203)	
Excess of Capital Outlay over Depreciation Expense	184,048	184,048

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		(78,532)
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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	65,000	
Capital Lease Payments	24,221	
Total long-term debt repayment	89,221	89,221

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	(92,868)	
Payment in Lieu of Taxes	2,789	
Tuition and Fees	(38)	
Accrued Interest	(4,126)	
	(94,243)	(94,243)

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.

(23,509)

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:

Decrease in Accrued Interest	275	
Decrease in Compensated Absences	18,094	
Increase in Vacation Leave Payable	(7,073)	
	11,296	

Change in Net Assets of Governmental Activities		(\$1,932,593)
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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 BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$8,441,393	\$7,893,085	\$7,893,085	
Payment in Lieu of Taxes	168,244	157,316	157,316	
Tuition and Fees	2,029,365	1,897,548	1,897,548	
Interest	121,746	113,838	113,838	
Intergovernmental	6,758,952	6,319,926	6,319,926	
Charges for Services	3,524	3,295	3,295	
Rent	9,598	8,975	8,975	
Miscellaneous	14,079	13,165	13,165	
Total Revenues	<u>17,546,901</u>	<u>16,407,148</u>	<u>16,407,148</u>	
Expenditures:				
Current:				
Instruction:				
Regular	9,482,409	9,641,592	9,641,592	
Special	1,332,404	931,961	931,961	
Vocational	267,000	207,472	207,472	
Adult/Continuing	75,000	31,246	31,246	
Other	100,000	158,640	158,640	
Support Services:				
Pupils	665,045	664,174	664,174	
Instructional Staff	548,528	546,417	546,417	
Board of Education	159,650	78,159	78,159	
Administration	1,963,636	1,673,157	1,673,157	
Fiscal	445,850	437,311	437,311	
Business	30,000	25,483	25,483	
Operation and Maintenance of Plant	1,521,000	1,516,899	1,516,899	
Pupil Transportation	1,060,807	1,101,403	1,101,403	
Central	85,670	45,773	45,773	
Operation of Non-Instructional Services	16,500	18,053	18,053	
Extracurricular Activities	380,552	354,938	354,938	
Capital Outlay	174,124	49,124	49,124	
Debt Service:				
Principal Retirement	65,000	65,000	65,000	
Interest and Fiscal Charges	10,000	3,348	3,348	
Total Expenditures	<u>18,383,175</u>	<u>17,550,150</u>	<u>17,550,150</u>	
Excess of Revenues Under Expenditures	(836,274)	(1,143,002)	(1,143,002)	
Other Financing Sources:				
Refund of Prior Year Expenditure	241,349	225,672	225,672	
Net Change in Fund Balances	(594,925)	(917,330)	(917,330)	
Fund Balance at Beginning of Year	3,361,263	3,361,263	3,361,263	
Prior Year Encumbrances Appropriated	214,798	214,798	214,798	
Fund Balance at End of Year	<u>\$2,981,136</u>	<u>\$2,658,731</u>	<u>\$2,658,731</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, 2005**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$114,544	\$47,845
Liabilities:		
Accounts Payable		\$1,816
Due to Students		46,029
Total Liabilities		\$47,845
Net Assets:		
Held in Trust for Scholarships	\$114,544	

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, 2005**

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$2,174
Gifts and Contributions	25,185
Miscellaneous	1,693
Total Additions	29,052
Deductions:	
Scholarships Awarded	11,032
Change in Net Assets	18,020
Net Assets Beginning of Year	96,524
Net Assets End of Year	\$114,544

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 83 non-certificated employees, 148 certificated full-time teaching personnel, and 11 administrative employees and 2 supervisors who provide services to 2,447 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 ensure 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, 2005
(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. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

B. Fund Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Non-exchange 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 non-exchange transactions must also be available before it can be recognized.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2005, but which were levied to finance fiscal year 2006 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 "Equity in Pooled 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.

During fiscal year 2005, the School District invested in 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, 2005.

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 2005 amounted to \$118,836, which includes \$28,506 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 expended/expensed when used.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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.

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:

<u>Description</u>	<u>Estimated Lives</u>
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and are eliminated on the Statement of Activities. 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.

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 2005. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS

During fiscal year 2005, the School District implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures." This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The implementation of this statement had no effect on net assets/fund balances. The disclosures required by this statement can be found in Note 6 to the basic financial statements.

During fiscal year 2005, the School District also implemented GASB Technical Bulletin 2004-2, "Accounting for Employers' Contributions to Cost-Sharing Pension and OPEB Plans." The implementation of this statement reduced fund balance in the general fund \$130,119 from \$3,265,668 to \$3,135,549 and reduced fund balance in the non-major governmental funds \$31,139 from \$177,945 to \$146,806.

4. FUND DEFICITS

The lunchroom and Title I special revenue funds had deficit fund balances at June 30, 2005, of \$42,597 and \$6,555, respectively. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance

	General
GAAP Basis	(\$1,738,574)
Net Adjustment for Revenue Accruals	48,478
Net Adjustment for Expenditure Accruals	218,427
Unrecorded Cash FY 04	717,076
Unrecorded Cash FY 05	(4,074)
Prepaid Items	12,988
Encumbrances	(171,651)
Budget Basis	(\$917,330)

6. DEPOSITS AND INVESTMENTS

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

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

Inactive monies are public deposits that the Board of Education has identified as not required for use within the current 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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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.

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.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

At fiscal year-end, the carrying amount of the School District's deposits was \$1,892,675 and the bank balance was \$2,276,037. \$205,000 of the School District's deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$2,071,037 of the School District's bank balance of \$2,276,037 was exposed to custodial risk and was 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

At June 30, 2005, the School District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Federal Home Loan Bank Note	7/27/2005	\$99,875
Federal Home Loan Bank Note	11/10/2005	99,500
Federal Home Loan Bank Note	12/23/2005	99,438
Federal Home Loan Bank Notes Step	5/24/2006	125,561
Federal Home Loan Mortgage Corporation Discount	12/30/2005	392,960
Federal National Mortgage Association Discount Note	12/9/2005	196,880
Federal Home Loan Bank Bond	12/30/2005	1,000,000
STAR Ohio	34.98 days	166,998
First American Treasury Money Market Mutual Fund	46 days	3,599
		<u>\$2,184,811</u>

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The following are the credit ratings for the School District's investments:

<u>Investment</u>	<u>Credit Rating</u>
Federal Home Loan Bank Note	AAA
Federal Home Loan Bank Notes Step	AAA
Federal Home Loan Mortgage Corporation Discount Note	AAA
Federal National Mortgage Association Discount Note	AAA
Federal Home Loan Bank Bond	AAA
STAR Ohio	AAAm
First American Treasury Money Market Mutual Fund	AAAm

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. More than 5 percent of the School District's investments are in the following:

<u>Investment</u>	<u>Percent</u>
Federal Home Loan Bank Notes	14%
Federal Home Loan Bank Notes Step	6%
Federal Home Loan Mortgage Corporation Discount Note	18%
Federal National Mortgage Association Discount Note	9%
Federal Home Loan Bank Bond	46%
STAR Ohio	7%

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three 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, 2005, are available to finance fiscal year 2005 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, 2005, 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, 2005, was \$332,740 in the general fund and \$17,769 in the permanent improvement capital projects fund. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$260,926,690	81.40%	\$285,934,040	82.05%
Public Utility Personal	14,483,190	4.52	14,358,570	4.12
Tangible Personal Property	45,136,826	14.08	48,195,381	13.83
Total	\$320,546,706	100.00%	\$348,487,991	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$38.09		\$38.09	

8. RECEIVABLES

Receivables at June 30, 2005, consisted of property taxes, payment in lieu of taxes, accounts (tuition and student fees) 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 Receivable</u>	<u>Amounts</u>
Governmental Activities:	
Tuition from Other School Districts	\$208,975
Title I	20,033
Bureau of Worker's Compensation	
Refund	685
Miscellaneous	75
Total	\$229,768

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance 6/30/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2005</u>
Governmental Assets				
Capital Assets, not being depreciated				
Land	\$641,103	\$0	\$0	\$641,103
Capital Assets, being depreciated				
Building and Improvements	11,040,888	452,517	0	11,493,405
Furniture and Equipment	2,720,488	108,474	(249,968)	2,578,994
Vehicles	1,501,715	126,260	(31,490)	1,596,485
Total Capital Assets, being depreciated	15,263,091	687,251	(281,458)	15,668,884
Less: Accumulated Depreciation				
Buildings and Improvements	(2,155,853)	(244,517)	0	(2,400,370)
Furniture and Equipment	(1,276,630)	(182,380)	174,935	(1,284,075)
Vehicles	(662,200)	(76,306)	27,991	(710,515)
Total Accumulated Depreciation	(4,094,683)	(503,203)	202,926	(4,394,960)
Total Capital Assets, being depreciated, net	11,168,408	184,048	(78,532)	11,273,924
Governmental Activities Capital Assets, net	\$11,809,511	\$184,048	(\$78,532)	\$11,915,027

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. CAPITAL ASSETS

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$117,128
Special	867
Vocational	74
Support Services:	
Pupils	288
Instructional Staff	2,446
Administration	14,896
Fiscal	2,066
Operation and Maintenance of Plant	270,472
Transportation	74,060
Operation of Non-Instructional Services	2,907
Extracurricular Activities	17,999
	<u>\$503,203</u>

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2005, 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, 2005
(Continued)**

10. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2005, 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 10 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004 and 2003 were \$210,923, \$196,378 and \$181,667 respectively; 42 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(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 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. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB plan.

Contributions to the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

DB Plan Benefits – Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into member’s accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2005, 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, 2005, 2004, and 2003 were \$1,230,404, \$1,180,628, and \$1,137,560 respectively; 82 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$4,868 made by the School District and \$3,475 made by the plan members.

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 partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care costs in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal years ended June 30, 2005, and June 20, 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 \$94,646 for fiscal year 2005.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest available information), the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease from 4.91 percent in fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$110,148.

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. Health care benefits are financed on a pay-as-you-go basis. 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, 2004 (the latest available information), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 248 days for all personnel. Upon retirement, payment is made for twenty-six percent of accrued, but unused sick leave credit to a maximum of 64 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).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capital leases for the acquisition of copiers and computers. The terms of these agreements provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts, "capital outlay" and "inception of capital leases" in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2005 totaled \$24,221.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$33,146, 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, 2005, was \$2,970 and the carrying value was \$31,166.

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, 2005.

Fiscal Year Ending June 30,	Total Payments
2006	\$17,104
2007	8,379
Total	25,483
Less: Amount Representing Interest	(2,182)
Present Value of Net Minimum Lease Payments	\$23,301

15. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2005, the School District had contractual purchase commitments as follows:

Vendor	Contract Amount	Expended	Remaining Balance
Blessing Pump Service, Inc.	\$16,196	\$0	\$16,196
Field and Associates	48,730	46,607	2,123
Geuy Construction Company	171,500	155,170	16,330
Roger Storer Plumbing and Heating	52,908	26,773	26,135
National Sound and Lighting	5,800	0	5,800
Griffith Sheet Metal	149,000	135,404	13,596
Lifetouch Publishing Inc.	6,048	0	6,048
JMD Architectural Products Inc	42,490	11,995	30,495
Doll Layman Engineers	20,225	0	20,225
Hilliard Glass and Service	23,525	0	23,525
Zimmerman School Equipment	6,598	0	6,598
	\$543,020	\$375,949	\$167,071

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	<u>Amount Outstanding 6/30/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2005</u>	<u>Amount Due in One Year</u>
Governmental Activities					
Energy Conservation					
Loan 1995 5.15%	\$65,000	\$0	(\$65,000)	\$0	\$0
Capital Leases	24,013	23,509	(24,221)	23,301	15,477
Compensated Absences	1,290,996	50,587	(68,681)	1,272,902	79,175
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,380,009</u>	<u>\$74,096</u>	<u>(\$157,902)</u>	<u>\$1,296,203</u>	<u>\$94,652</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 was backed by the full faith and credit of the School District. The loan was paid off during fiscal year 2005.

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 \$31,363,919, the energy conservation debt margin was \$3,136,392 and the unvoted debt margin was \$348,488 at June 30, 2005.

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 \$50,059 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 123 school districts in 18 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2005, the School District paid \$2,451 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

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-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, 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 2005, the School District paid \$1,996 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Clark County Family and Children First Council - The Clark County Family and Children First Council (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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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 2005. 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.

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 and capital acquisition. Disclosure of this information is required by State statute.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

18. SET-ASIDE CALCULATIONS (Continued)

	Textbooks and Instructional Material	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2004	\$148,615	(\$1,338,220)
Current Year Set-aside Requirement	344,479	344,479
Qualifying Disbursements	(328,507)	(151,738)
Current Year Offsets	0	(455,734)
Totals	<u>\$164,587</u>	<u>(\$1,601,213)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$164,587</u>	<u>(\$1,601,213)</u>
Set-aside Reserve Balances as of June 30, 2005	<u><u>\$164,587</u></u>	<u><u>\$0</u></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 the set-asides at the end of the fiscal year was \$164,587.

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, 2005.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550		\$52,080		\$52,080
National School Lunch Program		10.555	\$164,353		\$164,353	
Total U. S. Department of Agriculture - Nutrition Cluster			164,353	52,080	164,353	52,080
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 04 C1-S1 05	84.010	1,347 263,044		63,293 242,215	
Total Title I Grants to Local Educational Agencies			264,391		305,508	
Special Education Cluster:						
Special Education Grants to States	6B-SF 03 6B-SF 05 6B-SF 05	84.027	403,330 5,777		712 403,330 2,534	
Total Special Education Grants to States			409,107		406,576	
<i>Passed Through Clark County Educational Service Center:</i>						
Special Education-Preschool Grants	N/A	84.173	17,020		17,020	
Total Special Education Cluster			426,127		423,596	
<i>Passed Through Ohio Department of Education:</i>						
Safe and Drug-Free Schools and Communities State Grants	DR-S1-05	84.186	11,541		11,541	
Innovative Educational Program Strategies	C2-S1 04 C2-S1 05	84.298	10,696		2,877 10,696	
Total Innovative Educational Program Strategies			10,696		13,573	
Education Technology State Grants	TJ-S1 04	84.318	7,526		7,419	
Improving Teacher Quality State Grants	TR-S1 03 TR-S1 04	84.367	14,201 106,909		32,265 80,299	
Total Improving Teacher Quality State Grants			121,110		112,564	
Total U. S. Department of Education			841,391		874,201	
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$1,005,744	\$52,080	\$1,038,554	\$52,080

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

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of finding as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated January 5, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. However, in a separate letter to the District's management dated January 5, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 5, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON 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 apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Clark-Shawnee Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities. It is not intended for 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 5, 2006

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2005-001

Food Service Personnel Time Sheets

All payroll records should be submitted to the Finance Department and maintained per the District's retention policy. Food Service personnel complete detailed time sheets each pay period stating the number of hours worked, any leave taken, or overtime earned. However, only time sheets with overtime were forwarded to the payroll department. All other time sheets were discarded by the food service department. No approvals for other food service payrolls were received by the payroll department. The lack of detailed records could result in errors occurring and not being detected in a timely manner regarding actual hours worked and leave usage. These records are also necessary to resolve payroll disputes with staff.

The Food Service Supervisor should submit all payroll records, including approved timesheets, to the Payroll Clerk at the end of each pay period, and the records should be maintained according to the District's records retention schedule.

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 14, 2006**