



**Auditor of State
Betty Montgomery**

**CLARK SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Clark-Shawnee Local School District, Clark County, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clark-Shawnee Local School District, Clark County, as of June 30, 2003, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions 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 this information 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

December 31, 2003

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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, 2003. 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 2003 are as follows:

In total, net assets increased \$1,794,481 which represents a 15.32 percent increase from 2002.

General revenues accounted for \$15,676,781 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,223,958 or 17 percent of total revenues of \$18,900,739.

Total assets of governmental activities increased by \$2,249,556 as cash and cash equivalents increased by \$1,161,598, receivables increased by \$221,665 and capital assets increased by \$860,559.

The School District had \$17,106,258 in expenses; only \$3,223,958 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) of \$15,676,781 were adequate to provide for these programs.

Among major funds, the General Fund had \$16,471,415 in revenues and \$15,331,684 in expenditures. The General Fund's balance increased \$1,255,752 over 2002.

Using this General Accepted Accounting Principals Report (GAAP)

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other 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, 2003**

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 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

Governmental Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(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 2003 compared to 2002:

Table 1
Net Assets

	2002	2003
Assets		
Current and Other Assets	\$15,642,885	\$17,031,882
Capital Assets	6,896,688	7,757,247
Total Assets	22,539,573	24,789,129
 Liabilities		
Long-Term Liabilities	1,352,277	1,434,088
Other Liabilities	9,477,724	9,850,998
Total Liabilities	10,830,000	11,285,076
 Net Assets		
Invested in Capital Assets, Net of Debt	6,673,880	7,608,633
Restricted	2,765,145	2,503,237
Unrestricted	2,270,597	3,392,183
Total Net Assets	\$11,709,662	\$13,504,053

Total assets of governmental activities increased by \$2,249,556, as cash and cash equivalents increased by \$1,161,598 receivables increased by \$221,665 and capital assets increased by \$860,559. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District increased by \$1,121,586.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2002 and 2003.

Table 2
Changes in Net Assets

	<u>2002</u>	<u>2003</u>	<u>Percentage Change</u>
Revenues			
Program Revenues:			
Charges for Services	\$1,148,416	\$2,130,482	85.51%
Operating Grants and Contributions	995,954	1,041,078	3.93
Capital Grants and Contributions	31,200	52,398	67.94
Total Program Revenues	<u>2,175,570</u>	<u>3,223,958</u>	48.19
General Revenues:			
Property Taxes	7,784,521	8,450,816	8.56
Grants and Entitlements	7,582,939	6,934,870	(8.55)
Other	291,859	34,058	(87.99)
Total General Revenues	<u>15,659,319</u>	<u>15,676,781</u>	0.13
Total Revenues	<u>17,834,889</u>	<u>18,900,739</u>	5.98
Program Expenses			
Instruction	9,175,869	10,029,856	9.31
Support Services:			
Pupils and Instructional Staff	939,841	1,127,569	19.97
Board of Education, Administration, Fiscal and Business	2,148,123	2,163,580	0.72
Operation and Maintenance of Plant	2,082,330	1,541,667	(25.96)
Pupil Transportation	914,226	947,892	3.68
Central	58,570	75,022	28.09
Operation of Non-Instructional Services	664,289	675,644	1.71
Extracurricular Activities	676,507	533,244	(21.18)
Interest and Fiscal Charges	15,423	11,784	(23.59)
Total Expenses	<u>16,675,178</u>	<u>17,106,258</u>	2.59
Increase in Net Assets	<u>\$1,159,711</u>	<u>\$1,794,481</u>	54.74

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes made up 45 percent of revenues for governmental activities for the Clark-Shawnee Local School District for fiscal year 2003.

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. The passage of this levy was intended to place the School District in a stable financial status through 2007 barring a major structural catastrophe. However, budget balancing measures and new state legislation has cost the district \$120,000 in FY03, an anticipated \$275,000 in FY04 and an additional \$250,000 in FY05. This creates much uncertainty for the financial stability of the district in FY06 and FY07. The voters also renewed a 1.9 mill permanent improvement levy which generates approximately \$415,000 in property tax revenue per year. These monies are funding large improvements to the five school buildings such as window replacement and restroom renovation. This levy also expires in 2007.

Instruction comprises 58 percent of district expenses. Support services expenses make up 34 percent of the expenses.

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

1. Additional part-time orchestra teacher at Shawnee High School
2. Additional part-time intervention /part-time gifted teacher at Rockway School
3. Two additional teacher aides for special education students

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

Table 3

	Total Cost of Services 2002	Net Cost of Services 2002	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$9,175,869	\$8,303,750	\$10,029,856	\$7,893,901
Support Services:				
Pupils and Instructional Staff	939,841	863,807	1,127,569	1,094,718
Board of Education, Administration Fiscal and Business	2,148,123	2,109,181	2,163,580	2,136,971
Operation and Maintenance of Plant	2,082,330	1,958,443	1,541,667	1,507,217
Pupil Transportation	914,226	870,440	947,892	904,085
Central	58,570	58,570	75,022	75,022
Operation of Non-Instructional Services	664,289	(23)	675,644	33,739
Extracurricular Activities	676,507	320,017	533,244	224,863
Interest and Fiscal Charges	15,423	15,423	11,784	11,784
Total Expenses	\$16,675,178	\$14,499,608	\$17,106,258	\$13,882,300

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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 78 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 85 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 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$18,890,087 and expenditures of \$17,869,258. The net change in fund balance for the year was significant in the General Fund which had an increase of \$1,020,829.

General Fund Budgeting Highlights

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

During the course of the fiscal 2003 year, the School District amended its General Fund budget numerous times, which resulted in appropriations decreasing \$317,939, a 3 percent decrease. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to year end, the School District passed appropriations to match expenditures plus encumbrances.

For the General Fund, the final budget basis revenue and other financing sources estimate was \$16,292,499. The original budgeted estimate was \$15,318,162.

During fiscal year 2003, the School District budgeted and received \$7,641,201 and \$6,924,398 for property and other taxes and intergovernmental revenues, respectively.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Capital Assets

At the end of the fiscal year 2003, the School District had \$7,757,247 invested in land, buildings, furniture and equipment, and vehicles.

Table 4 shows fiscal 2003 balances compared to 2002.

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

	2002 (Restated)	2003
Land	\$226,977	\$226,977
Construction in Progress	0	286,027
Buildings and Improvements	4,613,889	5,082,185
Furniture and Equipment	1,324,982	1,507,044
Vehicles	730,840	655,014
Totals	\$6,896,688	\$7,757,247

Overall capital assets increased \$860,559 from fiscal year 2002 to fiscal year 2003. Increases in capital assets (primarily buildings and improvements, equipment and vehicles) were offset by depreciation expense for the 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	Amount Expended	Balance At 6/30/03
Roger Store Plumbing	\$173,000	\$37,699	\$135,331
Dalmation Fire	33,906	6,938	26,968
GM Mechanical	261,000	20,446	240,554
Reddy Electric	314,700	8,393	306,307
Capitol Aluminum and Glass	232,912	68,395	164,517
KAPP Construction	1,210,480	59,632	1,150,848
Total	\$2,225,998	\$201,473	\$2,024,525

Debt Administration

At June 30, 2003, the School District only had a \$125,000 energy conservation note as outstanding debt, \$60,000 due within one year. This note was originally dated July 15, 1995, in the amount of \$515,000 and will be paid off in 2005. The project updated the School District's energy management system, retrofitted lighting, and added technology cabling.

Table 5

Outstanding Debt at June 30,

	2002	2003
1995 Energy Conservation Note	\$185,000	\$125,000

At June 30, 2002, the School District's overall legal debt margin was \$28,241,222, the energy conservation debt margin was \$2,699,122 and the unvoted debt margin was \$313,791.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Current Financial Issues and Concerns

The Clark-Shawnee Local School District is currently financially stable. The School District is proud of its community support of the public schools. As a testament to the support of this community, the residents of the district voted in August 2002 to renew two levies. The five-year permanent improvement will generate \$425,000 from 2003 through 2007 and will be used for major improvement and renovations to the buildings. The five-year Emergency Levy also passed in August 2002 will be used through the general funds for day-to-day expenditures including salaries, fringe benefits, utilities, supplies, and equipment.

The central office 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 district and building Continuous Improvement Plans to increase opportunities for students of the 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 districts 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.

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

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

During fiscal year 2003, the School District reviewed preliminary plans and recommendations from the Ohio Facilities Commission and adopted an Expedited Local Plan for improvements and upgrades to the buildings of the district. The fifty-two million-dollar plan to construct new and renovate existing facilities continues to move forward with input from the community. The master plan is anticipated to be executed without additional revenue from the state and a plan for voter approval is expected during fiscal year 2004.

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, 1561 East Possum Road, Springfield, Ohio 45502 or email at cs_jturner@mveca.org.

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

**STATEMENT OF NET ASSETS
JUNE 30, 2003**

	<u>Governmental Activities</u>
Assets:	
Cash and Cash Equivalents	\$7,883,627
Accounts Receivable	15,677
Intergovernmental Receivable	231,115
Inventory of Supplies and Materials	42,301
Prepaid Items	66,134
Property and Other Taxes Receivable	8,731,855
Payment in Lieu of Taxes Receivable	56,173
Cash and Cash Equivalents With Fiscal Agents	5,000
Depreciable Capital Assets, Net	7,244,243
Land	226,977
Construction in Progress	286,027
Total Assets	<u>24,789,129</u>
Liabilities:	
Accounts Payable	56,417
Contracts Payable	279,511
Accrued Wages and Benefits Payable	1,413,456
Intergovernmental Payable	456,556
Deferred Revenue	7,601,323
Retainage Payable	15,741
Accrued Interest Payable	536
Vacation Leave Payable	22,448
Matured Bond Payable	5,000
Long Term Liabilities:	
Due Within One Year	85,841
Due In More Than One Year	1,348,247
Total Liabilities	<u>11,285,076</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	7,608,633
Restricted for:	
Capital Projects	2,252,142
Other Purposes	251,095
Unrestricted	3,392,183
Total Net Assets	<u><u>\$13,504,053</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, 2003**

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants Contributions and Interest</u>
Governmental Activities			
Instruction:			
Regular	\$8,005,588	\$1,258,405	\$188,603
Special	1,719,740	51,375	604,395
Vocational	253,740		
Adult/Continuing	50,788		
Support Services:			
Pupils	613,418		
Instructional Staff	514,151		32,851
Board of Education	40,976		
Administration	1,688,178		19,358
Fiscal	408,811		237
Business	25,615		
Operation and Maintenance of Plant	1,541,667		22,243
Pupil Transportation	947,892		43,807
Central	75,022		
Operation of Non-Instructional Services	675,644	518,581	123,324
Extracurricular Activities	533,244	302,121	6,260
Interest and Fiscal Charges	11,784		
Total Governmental Activities	<u><u>\$17,106,258</u></u>	<u><u>\$2,130,482</u></u>	<u><u>\$1,041,078</u></u>

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

Change in Net Assets

Net Assets Beginning of Year (Restated - Note 3)

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements.

<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
\$33,177	(\$6,525,403)
	(1,063,970)
	(253,740)
	(50,788)
	(613,418)
	(481,300)
	(40,976)
	(1,668,820)
7,014	(401,560)
	(25,615)
12,207	(1,507,217)
	(904,085)
	(75,022)
	(33,739)
	(224,863)
	(11,784)
<u>\$52,398</u>	<u>(13,882,300)</u>
	7,984,906
	465,910
	6,934,870
	130,125
	126,912
	34,058
	<u>15,676,781</u>
	1,794,481
	<u>11,709,572</u>
	<u>\$13,504,053</u>

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003**

	<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	\$5,062,035	\$2,409,744	\$289,348	\$7,761,127
Receivables:				
Property and Other Taxes	8,247,413	484,442		8,731,855
Payment in Lieu of Taxes	56,173			56,173
Accounts	12,500		3,177	15,677
Intergovernmental	155,873		75,242	231,115
Inventory of Supplies and Materials	33,609		8,692	42,301
Prepaid Items	66,134			66,134
Cash and Cash Equivalents With Fiscal Agents			5,000	5,000
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>122,500</u>			<u>122,500</u>
 Total Assets	 <u>13,756,237</u>	 <u>2,894,186</u>	 <u>381,459</u>	 <u>17,031,882</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	46,853		9,564	56,417
Contracts Payable	81,278	198,233		279,511
Retainage Payable		15,741		15,741
Accrued Wages and Benefits Payable	1,311,231		102,225	1,413,456
Intergovernmental Payable	294,778		20,085	314,863
Deferred Revenue	7,863,325	456,197		8,319,522
Matured Bond Payable			5,000	5,000
Total Liabilities	<u>9,597,465</u>	<u>670,171</u>	<u>136,874</u>	<u>10,404,510</u>
Fund Balances				
Reserved for Encumbrances	1,376,167	918,098	25,207	2,319,472
Reserved for Property Taxes	591,587	28,245		619,832
Reserved for Budget Stabilization	51,799			51,799
Reserved for Textbooks and Instructional Materials	35,158			35,158
Reserved for School Bus Purchases	35,543			35,543
Unreserved, Designated for Budget Stabilization	305,443			305,443
Unreserved, Undesignated, Reported in:				
General Fund	1,763,075			1,763,075
Special Revenue Funds			216,728	216,728
Capital Projects Funds		1,277,672	2,650	1,280,322
Total Fund Balances	<u>4,158,772</u>	<u>2,224,015</u>	<u>244,585</u>	<u>6,627,372</u>
 Total Liabilities and Fund Balances	 <u>\$13,756,237</u>	 <u>\$2,894,186</u>	 <u>\$381,459</u>	 <u>\$17,031,882</u>

See Accompanying Notes to the Basic Financial Statements.

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003**

Total Governmental Fund Balance	\$6,627,372
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Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	226,977	
Construction in Progress	286,027	
Building and Improvements	7,219,844	
Furniture and Equipment	2,559,605	
Vehicles	1,361,513	
Accumulated Depreciation	<u>(3,896,719)</u>	7,757,247
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	510,700	
Payment in Lieu of Taxes Receivable	56,173	
Accounts Receivable	4,761	
Intergovernmental Receivable	<u>146,565</u>	718,199

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	(23,614)	
Loans Payable	(125,000)	
Accrued Interest on Loans	(536)	
Vacation Leave Payable	(22,448)	
Compensated Absences	(1,285,474)	
Intergovernmental Payable	<u>(141,693)</u>	(1,598,765)

Net assets of Governmental Activities	<u><u>\$13,504,053</u></u>
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**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, 2003**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and Other Taxes	\$7,981,955	\$464,909		\$8,446,864
Payment in Lieu of Taxes	127,902			127,902
Tuition and Fees	1,249,220			1,249,220
Interest	134,666	576	\$778	136,020
Intergovernmental	6,928,845	43,176	1,064,663	8,036,684
Extracurricular Activities			302,121	302,121
Charges for Services			518,581	518,581
Gifts and Donations		11,608	12,260	23,868
Rent	682			682
Miscellaneous	48,145			48,145
Total Revenues	<u>16,471,415</u>	<u>520,269</u>	<u>1,898,403</u>	<u>18,890,087</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,810,415		193,639	8,004,054
Special	1,152,398		573,095	1,725,493
Vocational	249,985			249,985
Adult/Continuing	50,788			50,788
Support Services:				
Pupils	608,148			608,148
Instructional Staff	458,310		33,420	491,730
Board of Education	40,976			40,976
Administration	1,781,988		19,433	1,801,421
Fiscal	383,828	24,812	1,704	410,344
Business	25,615			25,615
Operation and Maintenance of Plant	1,468,154	18,182	27,762	1,514,098
Pupil Transportation	873,511		722	874,233
Central	74,342			74,342
Operation of Non-Instructional Services	12,970		656,481	669,451
Extracurricular Activities	239,736		308,048	547,784
Capital Outlay	14,234	680,276		694,510
Debt Service:				
Principal Retirement	74,244			74,244
Interest and Fiscal Charges	12,042			12,042
Total Expenditures	<u>15,331,684</u>	<u>723,270</u>	<u>1,814,304</u>	<u>17,869,258</u>
Excess of Revenues Over (Under) Expenditures	<u>1,139,731</u>	<u>(203,001)</u>	<u>84,099</u>	<u>1,020,829</u>
Other Financing Sources (Uses):				
Transfers - In	116,021			116,021
Transfers - Out			(116,021)	(116,021)
Total Other Financing Sources (Uses)	<u>116,021</u>		<u>(116,021)</u>	
Net Change in Fund Balances	1,255,752	(203,001)	(31,922)	1,020,829
Fund Balances at Beginning of Year	<u>2,903,020</u>	<u>2,427,016</u>	<u>276,507</u>	<u>5,606,543</u>
Fund Balances at End of Year	<u>\$4,158,772</u>	<u>\$2,224,015</u>	<u>\$244,585</u>	<u>\$6,627,372</u>

See Accompanying Notes to the Basic Financial Statements.

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2003**

Net Change in Fund Balances - Total Governmental Funds		\$1,020,829
<p>Amounts reported for governmental activities in the statement of activities are different because</p> <p>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:</p>		
Capital Outlay	1,332,280	
Depreciation Expense	<u>(442,536)</u>	
Excess of Capital Outlay over Depreciation Expense		889,744
<p>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.</p>		
Loss on Disposal of Capital Assets		(29,185)
<p>Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:</p>		
Loan Principal Payments	60,000	
Capital Lease Payments	<u>14,244</u>	
Total long-term debt repayment		74,244
<p>Some revenues that will not be collected for several months after the School District's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year.</p>		
Property Taxes	3,952	
Payment in Lieu of Taxes	2,223	
Tuition and Fees	45,791	
Accrued Interest	(7,824)	
Intergovernmental Grants	<u>(33,490)</u>	
<p>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:</p>		
Net Decrease in Accrued Interest	258	
Increase in Compensated Absences	(156,055)	
Increase in Intergovernmental Payable	(17,097)	
Decrease in Vacation Leave Payable	<u>1,091</u>	
		<u>(171,803)</u>
Change in Net Assets of Governmental Activities		<u><u>\$1,794,481</u></u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$7,279,510	\$7,641,201	\$7,641,201	
Payment in Lieu of Taxes	121,848	127,902	127,902	
Tuition and Fees	1,153,174	1,210,471	1,210,471	
Interest	128,301	134,676	134,676	
Intergovernmental	6,596,636	6,924,398	6,924,398	
Rent	650	682	682	
Miscellaneous	38,043	39,933	39,933	
Total Revenues	<u>15,318,162</u>	<u>16,079,263</u>	<u>16,079,263</u>	
Expenditures:				
Current:				
Instruction:				
Regular	7,862,560	7,744,794	7,744,794	
Special	875,580	1,129,225	1,129,225	
Vocational	279,170	247,334	247,334	
Adult/Continuing	35,000	50,788	50,788	
Other	40,000	66,719	66,719	
Support Services:				
Pupils	642,880	624,723	624,723	
Instructional Staff	484,550	451,018	451,018	
Board of Education	42,675	40,733	40,733	
Administration	1,879,052	1,812,037	1,812,037	
Fiscal	392,800	382,237	382,237	
Business	30,000	25,666	25,666	
Operation and Maintenance of Plant	1,545,300	1,511,686	1,511,686	
Pupil Transportation	859,322	978,696	978,696	
Central	77,150	74,368	74,368	
Operation of Non-Instructional Services	30,000	12,846	12,846	
Extracurricular Activities	402,550	252,425	252,425	
Capital Outlay	760,000	1,149,705	1,149,705	
Debt Service:				
Principal Retirement	68,000	60,000	60,000	
Interest and Fiscal Charges		9,528	9,528	
Total Expenditures	<u>16,306,589</u>	<u>16,624,528</u>	<u>16,624,528</u>	
Excess of Revenues Under Expenditures	<u>(988,427)</u>	<u>(545,265)</u>	<u>(545,265)</u>	
Other Financing Sources:				
Refund of Prior Year Expenditure		97,215	97,215	
Operating Transfers - In		116,021	116,021	
Total Other Financing Sources		<u>213,236</u>	<u>213,236</u>	
Net Change in Fund Balances	<u>(988,427)</u>	<u>(332,029)</u>	<u>(332,029)</u>	
Fund Balances at Beginning of Year	3,533,933	3,533,933	3,533,933	
Prior Year Encumbrances Appropriated	193,565	193,565	193,565	
Fund Balances at End of Year	<u>\$2,739,071</u>	<u>\$3,395,469</u>	<u>\$3,395,469</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, 2003**

	Private Purpose Trust Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$104,394	\$28,105
Liabilities:		
Accounts Payable		520
Due to Students		27,585
Total Liabilities	\$0	\$28,105
Net Assets:		
Held in Trust for Scholarships	\$104,395	

See Accompanying Notes to the Basic Financial Statements.

CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Interest	\$1,577
Miscellaneous	<u>7,422</u>
Total Additions	8,999
Deletions	
Scholarships Awarded	<u>9,375</u>
Change in Net Assets	(376)
Net Assets Beginning of Year	<u>104,770</u>
Net Assets End of Year	<u><u>\$104,394</u></u>

See Accompanying Notes to the Basic Financial Statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 94 non-certificated employees, 146 certificated full-time teaching personnel, and 10 administrative employees who provide services to 2,496 students and other community members. The School District currently operates one kindergarten building, three elementary/middle schools (1-8) and a high school (9-12).

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

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

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

Jointly Governed Organizations:

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Fund Financial Statements:

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

B. Fund Accounting

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

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues - Exchange and Non-exchange Transactions:

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

2. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements from other school districts received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data

All funds, other than the agency fund are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within each fund and function.

The certificate of estimated resources may be amended during the 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 2003. 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.

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

F. Cash and Cash Equivalents

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

During fiscal year 2003, the School District invested in Victory Money Market Mutual Fund and in the State Treasury Assets Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$134,666, which includes \$44,589 assigned from other School District funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

G. Inventory

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Restricted Assets

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

J. Capital Assets

The School District's only capital assets are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-term Obligations

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

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

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

M. Fund Balance Reserves and Designation

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization, textbooks and instructional materials, and school bus purchases. A fund designation has been established for budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents money set-aside by the Board of Education in excess of what is required by statute.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Assets

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

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

P. Estimates

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

3. RESTATEMENT

A restatement of net assets was necessary for a restatement of capital assets.

The following table summarizes the change to net assets:

Net Assets as previously reported	\$11,109,290
Capital Assets, Net	<u>600,282</u>
Restated Net Assets at June 30, 2002	<u>\$11,709,572</u>

4. FUND DEFICITS

The lunchroom special revenue fund had a deficit fund balance at June 30, 2003, of \$4,899. The general fund is liable for any deficit in this fund and will provide operating transfers when cash is required, not when accruals occur.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statements.

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

Net Change in Fund Balance	
GAAP Basis	\$1,255,752
Net Adjustment for Revenue Accruals	(191,381)
Net Adjustment for Expenditure Accruals	189,062
Unrecorded Cash FY03	(279,405)
Unrecorded Cash FY02	175,849
Prepaid Items	27,755
Adjustment for Encumbrances	<u>(1,509,661)</u>
Budget Basis	<u>(\$332,029)</u>

6. DEPOSITS AND INVESTMENTS

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS

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 passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

A. Cash on Hand:

At year end, the School District had \$50 in undeposited cash on hand which is included on the financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

B. Deposits:

At year-end, the carrying amount of the School District's deposits was \$7,518,952 and the bank balance was \$7,577,435. \$205,000 of the bank balance was covered by federal depository insurance and \$7,372,435 was considered uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

C. Investments:

The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or an agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

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

	Fair Value
Victory Money Market Mututal Fund	\$340,132
STAR Ohio	161,992
Total	\$502,124

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$8,021,126	\$0
Cash on Hand	(50)	0
Investments:		
Victory Money Market Mutual Fund	(340,132)	340,132
STAR Ohio	(161,992)	161,992
GASB Statement No. 3	\$7,518,952	\$502,124

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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 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 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2001. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. PROPERTY TAXES (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 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 at June 30, 2003 was \$591,587 in the general fund and \$28,245 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$332,618 in the general fund and \$15,503 in the permanent improvement capital projects fund.

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 assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$237,915,400	79.40%	243,704,150	77.67%
Public Utility Personal	14,889,710	4.97	15,136,760	4.82
Tangible Personal Property	46,851,746	15.63	54,950,442	17.51
Total	<u>\$299,656,856</u>	<u>100.00%</u>	<u>\$313,791,352</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$39.30		\$38.09	

8. RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, payment in lieu of taxes, accounts (tuition and student fees), and intergovernmental grants. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables are as follows:

Intergovernmental Receivables	Amounts
General Fund:	
Tuition from other school districts	\$155,873
Special Revenue Funds:	
Title I	31,535
Title VI	2,364
Title II-A	24,956
Technology Grant	402
Lunchroom	15,985
Total Special Revenue Funds	<u>75,242</u>
Total Intergovernmental Receivables	<u>\$231,115</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 6/30/02	Additions	Deductions	Balance 6/30/03
Governmental Activities				
Capital Assets, not Being Depreciated:				
Land	\$226,977	\$0	\$0	\$226,977
Construction in Progress	0	286,027	0	286,027
Total Capital Assets, not Being Depreciated	226,977	286,027	0	513,004
Capital Assets, Being Depreciated:				
Buildings and Improvements	6,653,120	566,724	0	7,219,844
Furniture and Equipment	2,225,330	369,653	35,378	2,559,605
Vehicles	1,313,376	109,876	61,739	1,361,513
Total Capital Assets, Being Depreciated	10,191,826	1,046,253	97,117	11,140,962
Less Accumulated Depreciation:				
Buildings and Improvements	(2,039,231)	(98,428)	0	(2,137,659)
Furniture and Equipment	(900,348)	(169,067)	16,854	(1,052,561)
Vehicles	(582,536)	(175,041)	51,078	(706,499)
Total Accumulated Depreciation	(3,522,115)	(442,536) *	67,932	(3,896,719)
Capital Assets, Being Depreciated, Net	6,669,711	603,717	29,185	7,244,243
Governmental Activities Capital Assets, Net	\$6,896,688	889,744	29,185	\$7,757,247

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$110,685
Special	3,551
Vocational	74
Support Services:	
Pupil	128
Instructional Staff	4,429
Administration	8,776
Fiscal	2,401
Operation and Maintenance of Plant	122,806
Transportation	170,451
Operation of Non-Instructional Services	5,095
Extracurricular Activities	14,140
Total Depreciation Expense	<u>\$442,536</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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 2003, the School District contracted with the Ohio School Risk Sharing Authority for liability, property, crime, and fleet insurance. Coverage provided by the Ohio School Risk Sharing Authority is as follows:

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

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

B. Workers' Compensation

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$181,667, \$115,985 and \$56,578 respectively; 50.24 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

B. State Teachers Retirement System of Ohio

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,137,560, \$754,676, and \$769,799 respectively; 83.71 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$1,150 made by the School District and \$1,019 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 reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2002, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$87,505 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$168,631.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits of \$303.6 million. The number of benefit recipients currently receiving health care benefits is approximately 50,000.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through METLIFE Insurance Company. Medical/surgical benefits are provided through United Health Care of Ohio through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (See Note 18).

14. CAPITAL LEASES - LESSEE DISCLOSURE

In prior 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. 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 2003 totaled \$14,244.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

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, 2003.

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2004	\$16,758
2005	8,380
Total	25,138
Less: Amount Representing Interest	(1,524)
Present Value of Net Minimum Lease Payments	<u>\$23,614</u>

15. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2003, the School District had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 6/30/03</u>
Roger Store Plumbing	\$173,000	\$37,669	\$135,331
Dalmation Fire	33,906	6,938	26,968
GM Mechanical	261,000	20,446	240,554
Reddy Electric	314,700	8,393	306,307
Capitol Aluminum and Glass	232,912	68,395	164,517
KAPP Construction	1,210,480	59,632	1,150,848
Total	<u>\$2,225,998</u>	<u>\$201,473</u>	<u>\$2,024,525</u>

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<u>Amount Outstanding 6/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/03</u>	<u>Amounts Due in One Year</u>
Governmental Activities					
Energy Conservation					
Loan 1995 5.15%	\$185,000	\$0	\$60,000	\$125,000	\$60,000
Capital Leases	37,858	0	14,244	23,614	15,426
Compensated Absences	1,129,419	272,355	116,300	1,285,474	10,415
Total Governmental Activities					
Long - Term Liabilities	<u>\$1,352,277</u>	<u>\$272,355</u>	<u>\$190,544</u>	<u>\$1,434,088</u>	<u>\$85,841</u>

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

Capital leases will be paid from the general fund. Compensated absences will be paid from the general fund and the food service and Title I special revenue funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

The School District's overall legal debt margin was \$28,241,222, the energy conservation debt margin was \$2,699,122 and the unvoted debt margin was \$313,791 at June 30, 2003.

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$60,000	\$6,438	\$66,438
2005	65,000	3,347	68,347
Total	\$125,000	\$9,785	\$134,785

17. INTERFUND TRANSFERS

The debt service fund transferred \$116,021 to the general fund during fiscal year 2003.

18. 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 and Greene Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$79,001 for services provided during the fiscal year. Financial information can be obtained from Norma Stuart, Director, at MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2003, the School District paid \$1,397,644 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2003, the School District paid \$3,103 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

The Board of Trustees is comprised of representatives of each of the members of the Council, and representatives of those additional entities required to be represented on the Council pursuant to Section 121.37 of the Ohio Revised Code. The school districts in Clark County must appoint a superintendent of one of the schools to represent them on the eighteen member Board. Currently, the superintendent of the Clark County Educational Service Center serves as this representative. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Clark Shawnee School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

Springfield/Clark County Joint Vocational School - The Springfield/Clark County Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the JVS during fiscal year 2003. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

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 a fourteen member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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.

19. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based upon legislative changes, this is the only money still required to be set-aside for this purpose.

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

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2002	\$70,264	(\$434,591)	\$51,799
Current Year Set-aside Requirement	319,087	319,087	0
Qualifying Disbursements	(354,193)	(314,799)	0
Current Year Offsets	0	(446,888)	0
Totals	\$35,158	(\$877,191)	\$51,799
Set-aside Balances Carried Forward to Future Fiscal Years	\$35,158	(\$877,191)	\$51,799
Set-aside Reserve Balances as of June 30, 2003	\$35,158	\$0	\$51,799

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisitions amounts below zero. This extra amount of offsets may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for all three set-asides at the end of the fiscal year was \$86,957.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

20. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

21. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	NA	10.550		\$36,192		\$45,349
National School Lunch Program	LL-P4-02 LL-P4-03	10.555	\$26,121 79,333		\$26,121 79,333	
Total National School Lunch Program			<u>105,454</u>		<u>105,454</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			105,454	36,192	105,454	45,349
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-02 C1-S1-03	84.010	33,612 365,041		71,643 305,917	
Total Title I			<u>398,653</u>		<u>377,560</u>	
Special Education Cluster:						
Special Education Grants to States	6B-SD-03-P 6B-SF-03-P	84.027	16,410 191,808		2,890 191,808	
Total Special Education Grants to States			<u>208,218</u>		<u>194,698</u>	
Passed Through Clark County Educational Service Center:						
Special Education - Preschool Grant	NA	84.173	10,192		10,192	
Total Special Education Cluster			<u>218,410</u>		<u>204,890</u>	
Passed Through Ohio Department of Education:						
Drug Free Schools Grant	DR-S1-03	84.186	13,708		13,708	
Eisenhower Professional Development Grant	MS-S4-01 MS-S1-02	84.281			6,096 850	
Total Eisenhower Professional Development Grant					<u>6,946</u>	
Innovative Educational Program Strategy	C2-S1-03	84.298	11,879		10,657	
Technology Literacy Challenge Fund Grant	TJ-S1-03	84.318	9,391		9,050	
Title VI-R	CR-S1-02	84.340			3,279	
School Renovation Grant	AT-S2-02	84.352	2,220		2,220	
Improving Teacher Quality Grant	TR-S1-03	84.367	89,049		70,833	
Total U. S. Department of Education			<u>743,310</u>		<u>699,143</u>	
Total Federal Financial Assistance			<u><u>848,764</u></u>	<u><u>\$36,192</u></u>	<u><u>\$804,597</u></u>	<u><u>\$45,349</u></u>

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

**CLARK SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--NUTRITION CLUSTER

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 COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the Clark-Shawnee Local School District, Clark County (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 31, 2003.

Internal Control Over Financial Reporting

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

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

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

Betty Montgomery
Auditor of State

December 31, 2003



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Clark-Shawnee Local School District, Clark County (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Clark-Shawnee Local School District, Clark County, complied, in all material respects, with the requirement referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

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

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



Betty Montgomery
Auditor of State

December 31, 2003

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster, CFDA # 84.027 & 84.173 Nutrition Cluster, CFDA #10.550 & 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**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
MARCH 4, 2004**