



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clark-Shawnee Local School District
Clark County
3680 Selma Road
Springfield, Ohio 45502

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clark-Shawnee Local School District, Clark County (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clark-Shawnee Local School District, Clark County, as of June 30, 2007, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

November 7, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The discussion and analysis of Clark-Shawnee Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- In total, net assets for governmental activities increased \$1,851,424 which represents a 13.6 percent increase from 2006.
- General revenues accounted for \$17,828,187 in revenue or 79 percent of governmental revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest and capital grants and contributions accounted for \$4,655,798 or 21 percent of governmental revenues of \$22,483,985.
- The School District had \$20,632,561 in governmental expenses; only \$4,655,798 of these expenses was offset by program specific charges for services, grants or contributions. General revenues for governmental activities (primarily taxes and entitlements) of \$17,828,187 also contributed to these programs.
- Among major funds, the General Fund had \$19,223,729 in revenues and \$18,173,579 in expenditures. The General Fund's balance increased \$1,050,150 from 2006.

Using this Generally Accepted Accounting Principles Report (GAAP)

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities 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 15. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

Governmental Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2007 compared to fiscal year 2006:

**Table 1
Net Assets**

	Governmental Activities	
	2006	2007
Assets		
Current and Other Assets	\$14,132,083	\$14,522,792
Capital Assets	12,063,705	11,907,769
Total Assets	<u>26,195,788</u>	<u>26,430,561</u>
Liabilities		
Long-Term Liabilities	1,341,491	1,319,905
Other Liabilities	11,204,569	9,609,504
Total Liabilities	<u>12,546,060</u>	<u>10,929,409</u>
Net Assets		
Invested in Capital Assets, Net of Debt	12,055,881	11,907,769
Restricted	1,254,304	1,514,037
Unrestricted	339,543	2,079,346
Total Net Assets	<u>\$13,649,728</u>	<u>\$15,501,152</u>

Total assets increased due to an increase in intergovernmental receivable and equity in pooled cash and cash equivalents. Equity in pooled cash and cash equivalents increased due to tax advances received prior to June 30, 2007 to fund fiscal year 2008 operations. Capital assets decreased for fiscal year 2007 as yearly depreciation was higher than the acquisition of new assets. The final payment on capital leases was made during fiscal year 2007. 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 \$1,739,803. Restricted net assets increases can be attributed to net assets restricted for capital outlay. Monies received in fiscal year 2007 are being held for future years to fund large upcoming projects.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

Table 2 shows the changes in net assets for governmental activities for fiscal year 2006 and 2007.

**Table 2
Change in Net Assets**

	<u>2006</u>	<u>2007</u>	<u>Percent Change</u>
Revenues			
Program Revenues:			
Charges for Services	\$3,269,492	\$3,441,866	5.27%
Operating Grants and Contributions	1,193,800	1,195,122	0.11%
Capital Grants and Contributions	28,244	18,810	-33.40%
Total Program Revenues	<u>4,491,536</u>	<u>4,655,798</u>	3.66%
General Revenues			
Property Taxes	8,685,866	10,525,092	21.17%
Grants and Entitlements Not Restricted	6,303,171	6,726,081	6.71%
Other	420,284	577,014	37.29%
Total General Revenues	<u>15,409,321</u>	<u>17,828,187</u>	15.70%
Total Revenues	<u>19,900,857</u>	<u>22,483,985</u>	12.98%
Program Expenses			
Instruction	12,093,270	12,367,672	2.27%
Support Services:			
Pupils and Instructional Staff	1,349,036	1,410,894	4.59%
Board of Education, Administration, Fiscal and Business	2,115,711	2,167,503	2.45%
Operation and Maintenance of Plant	1,768,806	1,943,905	9.90%
Pupil Transportation	1,048,448	1,139,909	8.72%
Central	66,396	68,879	3.74%
Operation of Non-Instructional Services	863,240	839,335	-2.77%
Extracurricular Activities	663,528	693,908	4.58%
Interest and Fiscal Charges	1,759	556	-68.39%
Total Expenses	<u>19,970,194</u>	<u>20,632,561</u>	3.32%
Increase (Decrease) in Net Assets	<u>(\$69,337)</u>	<u>\$1,851,424</u>	2770.18%

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

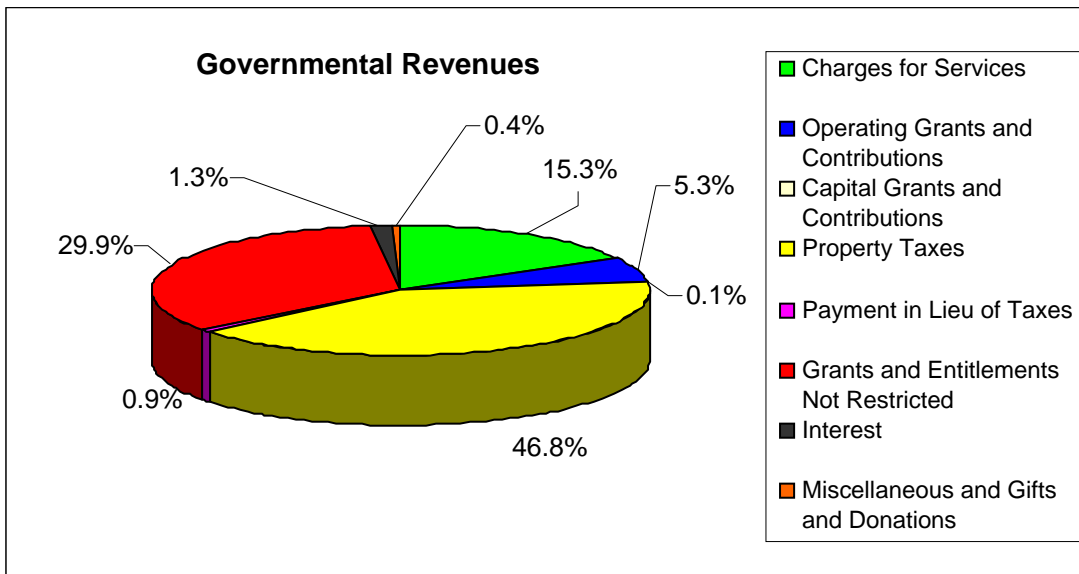
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

Governmental Activities

The 33.4% decrease in capital grants and contributions occurred due to a decrease in gifts and donations and they continue to decrease as fewer employees wish to contribute to special causes.

Interest revenue, which is shown above with other, increased approximately \$120,235.

Expenses were closely monitored during fiscal year 2007. As a result, expenses increased only 3.32%. Even though the district administration is attempting to contain costs, a moderate increase was felt due to base salary, medical insurance, and continuing gasoline price increases.



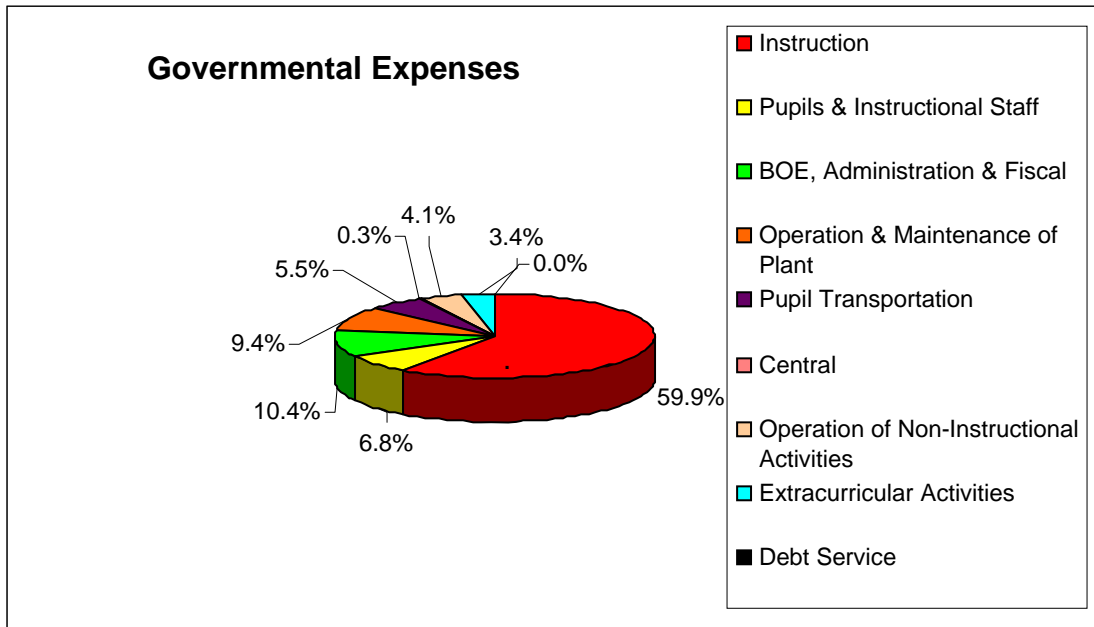
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes made up 46.8 percent of revenues for governmental activities for the Clark-Shawnee Local School District for fiscal year 2007.

The School District voters replaced a five-year emergency levy in August 2002 for collection in calendar years 2003-2007. This levy at 4.3 mills generates approximately \$1,300,000 in property tax revenue per year. Emergency levies generate a specific amount of revenue. The millage for the replacement levy was less, but the property tax revenue generated is the same. The passage of this levy was intended to place the School District in a stable financial status through 2007 barring a major structural catastrophe. However, budget balancing measures at the state level and new state legislation has caused a cut in state basic aid for the third straight year. This situation required the administration to institute cuts in the amount of \$400,000 for FY06 and to continue these cost cutting measures through FY07. The voters rejected a request in May, 2007 to renew and increase this emergency levy. They will be asked in November 2007 to renew and/or increase this emergency levy.

The voters also renewed a 1.9 mill permanent improvement levy which generates approximately \$502,165 in property tax revenue per year. These monies are funding large improvements to the five school buildings and the administration has held funds generated in the FY06 year due to a large visual improvement project to the lower hallway and foyer at Shawnee High School. This project was partially completed during the summer of 2006. The remainder of the improvements will be completed during the summer of 2007. This levy also expires in 2007 but has been renewed by the voters in May, 2007 for an additional five years.

CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)



Instruction comprises 59.9 percent of district expenses. Support services expenses make up 32.4 percent of the expenses.

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

1. A 1.5 percent base salary increase
2. Approximately 1.45 percent in step increases

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

Governmental Activities

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2006</u>	<u>Net Cost of Services 2006</u>	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>
Instruction	\$12,093,270	(\$8,895,901)	\$12,367,672	(\$8,918,840)
Support Services:				
Pupils and Instructional Staff	1,349,036	(1,307,772)	1,410,894	(1,370,053)
Board of Education, Administration, Fiscal and Business	2,115,711	(2,097,144)	2,167,503	(2,149,820)
Operation and Maintenance of Plant	1,768,806	(1,749,173)	1,943,905	(1,936,611)
Pupil Transportation	1,048,448	(1,036,993)	1,139,909	(1,121,099)
Central	66,396	(51,396)	68,879	(53,879)
Operation of Non-Instructional Services	863,240	(17,212)	839,335	(24,740)
Extracurricular Activities	663,528	(321,308)	693,908	(401,165)
Interest and Fiscal Charges	1,759	(1,759)	556	(556)
Total Expenses	<u>\$19,970,194</u>	<u>(\$15,478,658)</u>	<u>\$20,632,561</u>	<u>(\$15,976,763)</u>

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

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

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

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

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

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

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities along with after-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 72 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 77 percent. The community, as a whole, is the primary support for the Clark-Shawnee Local School District.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,921,108 and expenditures of \$20,500,065. The net change in fund balance for the year was significant in the General Fund as fund balance increased \$1,050,150. In prior year, the net change in fund balance was a decrease of \$296,335. The Board of Education initiated several reductions in fiscal year 2006 to ensure emergency levy monies lasted the life of the levy. The Permanent Improvement Fund's fund balance increased \$370,257 as a result of the administration's attempt to hold funds for a larger than normal project at Shawnee High School during the summer of 2008.

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the School District amended its General Fund budget numerous times, which resulted in appropriations decreasing \$516,708, a 2.7 percent decrease. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. Prior to fiscal year-end, the School District passed appropriations to match expenditures plus encumbrances.

For the General Fund, the final budget basis revenue and other financing sources estimate was \$18,927,383. The original budgeted estimate was \$17,479,075.

Capital Assets

At the end of fiscal year 2007, the School District had \$11,907,769 invested in governmental land, buildings and improvements, furniture and equipment, and vehicles.

Table 4 shows fiscal year 2007 balances compared to fiscal year 2006.

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

	2006	2007
Land	\$641,103	\$641,103
Buildings and Improvements	9,133,878	9,033,446
Furniture and Equipment	1,314,680	1,346,473
Vehicles	974,044	886,747
Totals	\$12,063,705	\$11,907,769

Overall capital assets decreased \$155,936 from fiscal year 2006 to fiscal year 2007. Increases in capital assets were offset by depreciation expense for the fiscal year. For more information on capital assets, see Note 8 of the Basic Financial Statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

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

Vendor	Contract Amount	Expended	Remaining Balance
Capital Aluminum and Glass	\$20,680	\$0	\$20,680
Rieck Mechanical-Electrical	8,000	0	8,000
Tackett Environmental Services	7,089	0	7,089
Legacy Commercial Flooring	37,646	0	37,646
Automated Solutions Group, LLC	56,741	0	56,741
Midwest Maintenance Inc.	20,500	0	20,500
Habitec Security	7,250	0	7,250
Greatsource Education Group	10,938	0	10,938
	<u>\$168,844</u>	<u>\$0</u>	<u>\$168,844</u>

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

Debt Administration

The School District paid off its last energy conservation loan in fiscal year 2005.

The School District's overall legal debt margin was \$31,206,051, the energy conservation debt margin was \$3,120,605 and the unvoted debt margin was \$346,734 at June 30, 2007.

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

Current Financial Issues and Concerns

The Clark-Shawnee Local School District continues in a tenuous financial position. State funding to the School District decreased during the fiscal year causing an even greater percentage of the financial burden on the local taxpayer. If not for the acceptance of open enrollment students, the School District would be required to make major cuts to programming. The School District is proud of its community support of the public schools. As a testament to the support of this community, the residents of the School District voted in August 2002 to renew two levies. The five-year permanent improvement will generate \$502,165 from 2003 through 2007 and will be used for major improvement and renovations to the buildings. The five-year Emergency Levy, also passed in August 2002, will be used through the general fund for day-to-day expenditures including salaries, fringe benefits, utilities, supplies, and equipment. This levy which expires in December, 2007 was renewed for an additional five years in May, 2007.

The central office and the board of education continue to focus their efforts to make improvements in the area of curriculum through Teacher Leadership and Principal Leadership programs. Many strategies have been implemented through the School District and building Continuous Improvement Plans to increase opportunities for students of the School District in the areas of both academic and extra-curricular. Using research based teaching standards; the School District's thrust is to educate the students in a manner that will assist them in meeting the new state testing requirements along with maximizing their preparation for the future. The School District moved back to "effective" state status after receiving the county's first "excellent" rating. It is the aspiration of every person involved in the educational process of the students of this district to acquire additional excellent rankings.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

In comparison to other school districts in the state, the School District would not be considered a school district suffering with low wealth. This wealth factor, used by the State, is the result of dividing the total value of buildings, land, inventory, and equipment used for production by the student enrollment. Therefore, the School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the court, the State may require redistribution of commercial and industrial property tax. With 15 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. The district is currently experiencing a loss of personal property tax value and is seeing a decline in the local property taxes. The full impact of this shift will be experienced by 2009.

Another concern that remains on the mind of the administration and the board of education is the State's over reliance on the local taxpayer to maintain current levels of funding. This requires management to plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Beginning in fiscal year 2004, the School District spent more than its revenue for that respective year. Therefore, the accumulated carryover balance will be used, as long as it lasts, to offset the deficit that continues to occur. The district will continue to see an erosion in this carryover balance until it is exhausted at the end of the 2009 school year.

In conclusion, the Clark-Shawnee Local School District continues to be committed to financial as well as educational excellence. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Julia A. Turner, Treasurer at Clark-Shawnee Local School District, 3680 Selma Road, Springfield, Ohio 45502 or email at cs_jturner@mveca.org.

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

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,947,183
Accounts Receivable	22,090
Intergovernmental Receivable	404,742
Inventory of Supplies and Materials	64,530
Prepaid Items	68,869
Property and Other Taxes Receivable	8,931,897
Payment in Lieu of Taxes Receivable	78,481
Cash and Cash Equivalents	
With Fiscal Agents	5,000
Depreciable Capital Assets, Net	11,266,666
Land	641,103
Total Assets	<u>26,430,561</u>
Liabilities:	
Accounts Payable	155,166
Accrued Wages and Benefits Payable	1,792,366
Intergovernmental Payable	477,075
Matured Compensated Absences Payable	105,087
Deferred Revenue	7,052,560
Vacation Leave Payable	22,250
Matured Bond Payable	5,000
Long Term Liabilities:	
Due Within One Year	79,448
Due In More Than One Year	1,240,457
Total Liabilities	<u>10,929,409</u>
Net Assets:	
Invested in Capital Assets	11,907,769
Restricted for:	
Capital Projects	1,394,413
Other Purposes	89,570
Bus Purchases	30,054
Unrestricted	2,079,346
Total Net Assets	<u><u>\$15,501,152</u></u>

The notes to the financial statements are an integral part of this statement.

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$10,259,158	\$2,525,869	\$95,531		(\$7,637,758)
Special	1,917,988		827,432		(1,090,556)
Vocational	162,751				(162,751)
Adult/Continuing	27,775				(27,775)
Support Services:					
Pupils	767,515				(767,515)
Instructional Staff	643,379		40,841		(602,538)
Board of Education	105,739				(105,739)
Administration	1,577,360		16,155		(1,561,205)
Fiscal	465,927		1,528		(464,399)
Business	18,477				(18,477)
Operation and Maintenance of Plant	1,943,905		7,294		(1,936,611)
Pupil Transportation	1,139,909			\$18,810	(1,121,099)
Central	68,879		15,000		(53,879)
Operation of Non-Instructional Services	839,335	630,040	184,555		(24,740)
Extracurricular Activities	693,908	285,957	6,786		(401,165)
Interest and Fiscal Charges	556				(556)
Total	\$20,632,561	\$3,441,866	\$1,195,122	\$18,810	(15,976,763)
General Revenues:					
Property Taxes Levied for:					
General Purposes					9,942,594
Capital Outlay					582,498
Grants and Entitlements not Restricted to					
Specific Programs					6,726,081
Payment in Lieu of Taxes					181,411
Gifts and Donations					50
Investment Earnings					302,117
Miscellaneous					93,436
Total General Revenues					17,828,187
Change in Net Assets					1,851,424
Net Assets Beginning of Year					13,649,728
Net Assets End of Year					\$15,501,152

The notes to the financial statements are an integral part of this statement.

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,316,187	\$1,302,797	\$298,145	\$4,917,129
Receivables:				
Property and Other Taxes	8,367,872	564,025		8,931,897
Payment in Lieu of Taxes	78,481			78,481
Accounts	21,117		973	22,090
Intergovernmental	315,931		88,811	404,742
Inventory of Supplies and Materials	49,714		14,816	64,530
Prepaid Items	67,292		1,577	68,869
Cash and Cash Equivalents With Fiscal Agents			5,000	5,000
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	30,054			30,054
Total Assets	<u>\$12,246,648</u>	<u>\$1,866,822</u>	<u>\$409,322</u>	<u>\$14,522,792</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$61,709		\$93,457	\$155,166
Matured Compensated Absences Payable	99,490		5,597	105,087
Accrued Wages and Benefits Payable	1,692,920		99,446	1,792,366
Intergovernmental Payable	443,563		33,512	477,075
Deferred Revenue	7,798,176	516,434		8,314,610
Matured Bond Payable			5,000	5,000
Total Liabilities	<u>10,095,858</u>	<u>516,434</u>	<u>237,012</u>	<u>10,849,304</u>
Fund Balances:				
Reserved for Encumbrances	184,709	164,520	14,435	363,664
Reserved for Property Taxes	1,712,579	91,291		1,803,870
Reserved for School Bus Purchases	30,054			30,054
Unreserved, Undesignated, Reported in:				
General Fund	223,448			223,448
Special Revenue Funds			157,875	157,875
Capital Projects Funds		1,094,577		1,094,577
Total Fund Balances	<u>2,150,790</u>	<u>1,350,388</u>	<u>172,310</u>	<u>3,673,488</u>
Total Liabilities and Fund Balances	<u>\$12,246,648</u>	<u>\$1,866,822</u>	<u>\$409,322</u>	<u>\$14,522,792</u>

The notes to the financial statements are an integral part of this statement.

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances	\$3,673,488
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Land	\$641,103	
Building and Improvements	11,983,360	
Furniture and Equipment	2,610,626	
Vehicles	1,699,548	
Accumulated Depreciation	<u>(5,026,868)</u>	11,907,769
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	870,067	
Payment in Lieu of Taxes Receivable	78,481	
Accounts Receivable	20,002	
Intergovernmental Receivable	<u>293,500</u>	1,262,050

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Vacation Leave Payable	(22,250)	
Compensated Absences Payable	<u>(1,319,905)</u>	<u>(1,342,155)</u>

Net Assets of Governmental Activities	<u><u>\$15,501,152</u></u>
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The notes to the financial statements are an integral part of this statement.

**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, 2007**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and Other Taxes	\$9,426,909	\$555,083		\$9,981,992
Payment in Lieu of Taxes	174,862			174,862
Tuition and Fees	2,500,784			2,500,784
Interest	301,041	1,076	\$1,070	303,187
Intergovernmental	6,714,842	75,576	1,141,739	7,932,157
Extracurricular Activities			285,607	285,607
Charges for Services	11,855		630,040	641,895
Gifts and Donations		50	6,786	6,836
Rent	10,550			10,550
Miscellaneous	82,886		352	83,238
Total Revenues	<u>19,223,729</u>	<u>631,785</u>	<u>2,065,594</u>	<u>21,921,108</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,080,350	36,867	107,484	10,224,701
Special	1,133,905		771,135	1,905,040
Vocational	161,733			161,733
Adult/Continuing	27,775			27,775
Support Services:				
Pupils	779,768			779,768
Instructional Staff	609,110		36,186	645,296
Board of Education	105,739			105,739
Administration	1,586,765		14,417	1,601,182
Fiscal	449,219	12,923	1,662	463,804
Business	18,477			18,477
Operation and Maintenance of Plant	1,625,204	38,707	17,177	1,681,088
Pupil Transportation	1,045,913		1,558	1,047,471
Central	60,856		8,023	68,879
Operation of Non-Instructional Services	32,722		805,041	837,763
Extracurricular Activities	418,999		302,275	721,274
Capital Outlay	28,664	173,031		201,695
Debt Service:				
Principal Retirement	7,824			7,824
Interest and Fiscal Charges	556			556
Total Expenditures	<u>18,173,579</u>	<u>261,528</u>	<u>2,064,958</u>	<u>20,500,065</u>
Net Change in Fund Balances	1,050,150	370,257	636	1,421,043
Fund Balances at Beginning Of Year	<u>1,100,640</u>	<u>980,131</u>	<u>171,674</u>	<u>2,252,445</u>
Fund Balances at End of Year	<u>\$2,150,790</u>	<u>\$1,350,388</u>	<u>\$172,310</u>	<u>\$3,673,488</u>

The notes to the financial statements are an integral part of this statement.

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

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$1,421,043

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

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

Capital Outlay	\$439,130	
Depreciation Expense	(518,096)	
Excess of Capital Outlay over Depreciation Expense		(78,966)

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

Loss on Disposal of Capital Assets		(76,970)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current fiscal year, these amounts consist of:

Capital Lease Payments		7,824
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Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.

Property Taxes	543,100	
Payment in Lieu of Taxes	6,549	
Tuition and Fees	13,228	
		562,877

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:

Increase in Compensated Absences	13,762	
Decrease in Vacation Leave Payable	1,854	
		15,616

Change in Net Assets of Governmental Activities		<u>\$1,851,424</u>
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The notes to the financial statements are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budget Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$8,556,125	\$9,143,302	\$9,143,302	
Payment in Lieu of Taxes	175,000	174,862	174,862	
Tuition and Fees	2,026,078	2,235,636	2,235,636	
Interest	252,705	278,842	278,842	
Intergovernmental	6,124,878	6,714,842	6,714,842	
Charges for Services	10,744	11,855	11,855	
Rent	9,561	10,550	10,550	
Miscellaneous	27,284	30,106	30,106	
Total Revenues	<u>17,182,375</u>	<u>18,599,995</u>	<u>18,599,995</u>	
Expenditures:				
Current:				
Instruction:				
Regular	9,961,039	9,856,770	9,856,770	
Special	1,103,764	1,106,524	1,106,524	
Vocational	221,150	169,504	169,504	
Adult/Continuing	50,000	27,775	27,775	
Other	67,968	221,933	221,933	
Support Services:				
Pupils	792,377	762,403	762,403	
Instructional Staff	718,996	622,259	622,259	
Board of Education	74,170	104,925	104,925	
Administration	1,699,615	1,605,401	1,605,401	
Fiscal	541,800	448,222	448,222	
Business	20,000	16,264	16,264	
Operation and Maintenance of Plant	1,678,352	1,684,176	1,684,176	
Pupil Transportation	1,241,485	1,168,383	1,168,383	
Central	63,800	60,790	60,790	
Operation of Non-Instructional Services	31,000	33,534	33,534	
Extracurricular Activities	468,679	413,901	413,901	
Capital Outlay	113,941	28,664	28,664	
Total Expenditures	<u>18,848,136</u>	<u>18,331,428</u>	<u>18,331,428</u>	
Excess of Revenues Under Expenditures	(1,665,761)	268,567	268,567	
Other Financing Sources:				
Refund of Prior Year Expenditure	<u>296,700</u>	<u>327,388</u>	<u>327,388</u>	
Net Change in Fund Balances	(1,369,061)	595,955	595,955	
Fund Balance at Beginning of Year	2,291,309	2,291,309	2,291,309	
Prior Year Encumbrances Appropriated	227,321	227,321	227,321	
Fund Balance at End of Year	<u>\$1,149,569</u>	<u>\$3,114,585</u>	<u>\$3,114,585</u>	<u>\$0</u>

The notes to the financial statements are an integral part of this statement.

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$103,039	\$50,610
Liabilities:		
Accounts Payable		\$2,228
Due to Students		48,382
Total Liabilities		\$50,610
Net Assets:		
Held in Trust for Scholarships	\$103,039	

The notes to the financial statements are an integral part of this statement.

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$5,539
Gifts and Contributions	72
Miscellaneous	6,129
Total Additions	11,740
 Deductions:	
Scholarships Awarded	19,280
 Change in Net Assets	(7,540)
 Net Assets Beginning of Year	110,579
 Net Assets End of Year	\$103,039

The notes to the financial statements are an integral part of this statement.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 1958 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 85 non-certificated employees, 149 certificated full-time teaching personnel, and 11 administrative employees and 2 supervisors who provide services to 2,513 students and other community members. The School District currently operates one kindergarten building, three elementary/middle schools (1-8) and a high school (9-12).

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

Parochial Schools - Within the School District boundaries, Risen Christ Lutheran and Twin Oaks Schools are operated as private schools. Current State legislation provides funding to these parochial schools. 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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

The School District participates in five jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Note 16 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 Career Technology Center

Insurance Purchasing Pools:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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 most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

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

2. Fund Financial Statements

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

B. Fund Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

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

General Fund

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

Permanent Improvement Capital Projects Fund

The permanent improvement capital projects fund accounts for a voted property tax levy to be used for the acquisition, construction, or improvement of capital facilities.

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

2. Fiduciary Fund Types

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

1. Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement on Net Assets. The Statement of Activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

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

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements from other school districts received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits.

During fiscal year 2007, the School District invested in Victory Money Market Mutual Fund, First American Treasury Money Market Mutual Fund, Federal Home Loan Bank Bonds, Federal National Mortgage Association Discount Notes, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association MTN Bonds and the State Treasury Assets Reserve of Ohio (STAR Ohio).

Investments are reported at fair value which for mutual funds is based on current share price. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

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 2007 amounted to \$301,041, which includes \$88,717 assigned from other School District funds.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include unexpended revenues restricted for the purchase of school buses.

I. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-100 years
Furniture and Equipment	10-20 years
Vehicles	18 years

J. Accrued Liabilities and Long-term Obligations

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are recognized as a liability in the fund financial statements when due.

K. Compensated Absences

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

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

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

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

L. Fund Balance Reserves

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

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

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

N. Interfund Activity

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

O. Estimates

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

P. Budgetary Data

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2007. Prior to fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year in the general fund which was in effect at the time the final appropriations were passed by the Board of Education.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. FUND DEFICITS

The lunchroom, DPIA, and Title V special revenue fund had deficit fund balances at June 30, 2007, of \$59,260, \$2,836, and \$13, respectively. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance

	General
GAAP Basis	\$1,050,150
Net Adjustment for Revenue Accruals	(318,545)
Net Adjustment for Expenditure Accruals	3,316
Change in Fair Value FY 06	10,053
Change in Fair Value FY 07	12,146
Prepaid Items	58,345
Encumbrances	(219,510)
 Budget Basis	 \$595,955

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$1,495,983 and the bank balance was \$1,962,743. \$156,794 of the School District's deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$1,805,949 of the School District's bank balance of \$1,962,743 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

B. Investments

At June 30, 2007, the School District had the following investments:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Federal Home Loan Bank Bond	9/4/2007	\$129,960
Federal Home Loan Bank Bond	6/13/2008	99,844
Federal Home Loan Bank Bond	11/21/2008	99,656
Federal National Mortgage Association MTN Bond	9/5/2008	99,938
Federal National Mortgage Association MTN Bond	11/20/2009	124,649
Federal Home Loan Mortgage Corporation Discount Note	7/25/2007	99,670
Federal Home Loan Mortgage Corporation Discount Note	12/11/2007	254,072
Federal National Mortgage Association Discount Note	7/25/2007	149,505
Federal National Mortgage Association Discount Note	5/30/2008	128,763
Federal National Mortgage Association MTN Bond	11/9/2007	993,440
Victory Money Market Mutual Fund	36 days	633,114
STAR Ohio	38.9 days	784,080
First American Treasury Money Market Mutual Fund	1 day	13,158
		<u>\$3,609,849</u>

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

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

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

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

<u>Investment</u>	<u>Percent</u>
Victory Money Market Mutual Fund	18%
Federal Home Loan Bank Bonds	9%
Federal Home Loan Mortgage Corporation Discount Note	10%
Federal National Mortgage Association MTN Bonds	34%
Federal National Mortgage Association Discount Note	8%
STAR Ohio	22%

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The federal agency securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee.

6. PROPERTY TAXES

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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property for tax year 2007 is assessed at 12.5 percent of true value. 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance is recognized as revenue. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2007, was \$1,712,579 in the general fund and \$91,291 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2006, was \$345,410 in the general fund and \$18,486 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$293,056,500	81.79%	\$293,118,180	84.54%
Public Utility Personal	13,498,020	3.77	11,952,210	3.45
Tangible Personal Property	51,739,479	14.44	41,663,506	12.01
Total	\$358,293,999	100.00%	\$346,733,896	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$38.09		\$38.09	

7. RECEIVABLES

Receivables at June 30, 2007, consisted of property taxes, payment in lieu of taxes, accounts (tuition and student fees) and intergovernmental grants. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables are as follows:

<u>Intergovernmental Receivable</u>	<u>Amounts</u>
Governmental Activities:	
Tuition from Other School Districts	\$315,931
Title I	51,635
Title VIB	26,767
Title II	10,409
Total	\$404,742

8. CAPITAL ASSETS

Capital asset activity for governmental activities the fiscal year ended June 30, 2007, was as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. CAPITAL ASSETS (Continued)

	<u>Balance 6/30/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2007</u>
Governmental Assets				
Capital Assets, not being depreciated				
Land	\$641,103			\$641,103
Capital Assets, being depreciated				
Building and Improvements	11,800,780	\$182,580		11,983,360
Furniture and Equipment	2,785,841	256,550	(\$431,765)	2,610,626
Vehicles	1,699,548			1,699,548
Total Capital Assets, being depreciated	<u>16,286,169</u>	<u>439,130</u>	<u>(431,765)</u>	<u>16,293,534</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(2,666,902)	(283,012)		(2,949,914)
Furniture and Equipment	(1,471,161)	(147,787)	354,795	(1,264,153)
Vehicles	(725,504)	(87,297)		(812,801)
Total Accumulated Depreciation	<u>(4,863,567)</u>	<u>(518,096)</u>	<u>354,795</u>	<u>(5,026,868)</u>
Total Capital Assets, being depreciated, net	<u>11,422,602</u>	<u>(78,966)</u>	<u>(76,970)</u>	<u>11,266,666</u>
Governmental Activities Capital Assets, net	<u>\$12,063,705</u>	<u>(\$78,966)</u>	<u>(\$76,970)</u>	<u>\$11,907,769</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$85,589
Special	811
Vocational	35
Support Services:	
Pupils	289
Instructional Staff	2,201
Administration	14,176
Fiscal	1,869
Operation and Maintenance of Plant	309,474
Transportation	80,169
Operation of Non-Instructional Services	3,731
Extracurricular Activities	19,752
	<u>\$518,096</u>

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2007, the School District contracted with Marsh for liability, property, crime, and fleet insurance. Coverage provided by Marsh is as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. RISK MANAGEMENT (Continued)

Building and Contents-replacement cost (\$1,000 deductible)	\$300,000,000
Boiler and Machinery (\$2,500 deductible)	50,000,000
Crime Insurance	500,000
Automobile Liability (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

B. Workers' Compensation

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 16). 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 ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (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 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 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, 2007, 2006 and 2005 were \$227,031, \$220,567, and \$210,923 respectively; 40 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

B. State Teachers Retirement System

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

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 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 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,246,573, \$1,242,728, and \$1,230,404 respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$5,500 made by the School District and \$21,486 made by the plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio) and to retired non-certificated 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 funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$95,890 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$115,867.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through METLIFE Insurance Company. Medical/surgical benefits are provided through Anthem through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (See Note 16).

13. CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capital leases for the acquisition of 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 2007 totaled \$7,824. The lease was paid off in fiscal year 2007.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$13,415, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on these assets at June 30, 2007, was \$2,683 and the carrying value was \$10,732.

14. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2007, the School District had contractual purchase commitments as follows:

Vendor	Contract Amount	Expended	Remaining Balance
Capital Aluminum and Glass	\$20,680	\$0	\$20,680
Rieck Mechanical-Electrical	8,000	0	8,000
Tackett Environmental Services	7,089	0	7,089
Legacy Commercial Flooring	37,646	0	37,646
Automated Solutions Group, LLC	56,741	0	56,741
Midwest Maintenance Inc.	20,500	0	20,500
Habitec Security	7,250	0	7,250
Greatsource Education Group	10,938	0	10,938
	<u>\$168,844</u>	<u>\$0</u>	<u>\$168,844</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	<u>Amount Outstanding 6/30/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2007</u>	<u>Amount Due in One Year</u>
Governmental Activities					
Capital Leases	\$7,824		(\$7,824)		
Compensated Absences	1,333,667	\$66,515	80,277	\$1,319,905	\$79,448
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,341,491</u>	<u>\$66,515</u>	<u>\$72,453</u>	<u>\$1,319,905</u>	<u>\$79,448</u>

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

The School District's overall legal debt margin was \$32,246,460, the energy conservation debt margin was \$3,224,646 and the unvoted debt margin was \$358,294 at June 30, 2006.

16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Miami Valley Educational Computer Association – The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of six representatives from the member districts elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$55,083 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, Executive Director, at MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council – The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 124 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2007, the School District paid \$1,934,223 to the SOEPC, primarily for medical benefits (See Note 16b). To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

**16. 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-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2007, the School District did not have any payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

The Board of Trustees is comprised of representatives of each of the members of the Council, and representatives of those additional entities required to be represented on the Council pursuant to Section 121.37 of the Ohio Revised Code. The school districts in Clark County must appoint a superintendent of one of the schools to represent them on the eighteen member Board. Currently, the superintendent of the Clark County Educational Service Center serves as this representative. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Clark Shawnee School District did not make any payments to the FCFC during fiscal year 2007. 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, Robert Suver, who serves as Treasurer, at 1345 Lagonda Avenue, Springfield, Ohio 45505.

Springfield-Clark Career Technology Center – The Springfield-Clark Career Technology Center (CTC) 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 financial contributions of \$750 to the CTC during fiscal year 2007. To obtain financial information, write to the Springfield-Clark Career Technology Center, Pam Mustovich, 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, 2007
(Continued)**

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

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

17. SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Material	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2006	\$148,758	(\$1,861,790)
Current Year Set-aside Requirement	350,231	350,231
Qualifying Disbursements	(569,093)	(44,236)
Current Year Offsets	0	(482,277)
Totals	<u>(\$70,104)</u>	<u>(\$2,038,072)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$70,104)</u>	<u>(\$2,038,072)</u>
Set-aside Reserve Balances as of June 30, 2007	<u>(\$70,104)</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisitions amounts below zero. This extra amount of offsets may be used to reduce the set-aside requirements in future fiscal years.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

18. 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, 2007.

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

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> 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)						
Food Donation	N/A	10.550		\$30,125		\$30,125
Nutrition Cluster:						
National School Lunch Program	LL-P4-06	10.555	\$24,740		\$24,740	
	LL-P4-07		121,298		121,298	
Total National School Lunch Program			<u>146,038</u>		<u>146,038</u>	
Total Nutrition Cluster:			<u>146,038</u>		<u>146,038</u>	
Total U.S. Department of Agriculture			<u>146,038</u>	<u>30,125</u>	<u>146,038</u>	<u>30,125</u>
U.S. DEPARTMENT OF EDUCATION						
(Passed Through Ohio Department of Education)						
Title I Grants to Local Educational Agencies	C1-S1-06	84.010	34,204		63,052	
	C1-S1-07		216,475		189,321	
Total Title I Grant			<u>250,679</u>		<u>252,373</u>	
Special Education Cluster:						
Special Education Grants to States (IDEA Part B and Access)	6B-SD-05	84.027			377	
	6B-SF-06				135,505	
	6B-SF-07		435,787		372,987	
Total IDEA Part B and Access Grants			<u>435,787</u>		<u>508,869</u>	
(Passed through Clark County Educational Service Center)						
Special Education Preschool Grants	N/A	84.173	15,046		15,046	
Total Special Education Cluster:			<u>450,833</u>		<u>523,915</u>	
(Passed Through Ohio Department of Education)						
Safe and Drug Free Schools and Communities State Grants	DR-S1-07	84.186	8,416		8,416	
State Grants for Innovative Programs	C2-S1-06	84.298			420	
	C2-S1-07		3,522		2,284	
Total State Grants for Innovative Programs			<u>3,522</u>		<u>2,704</u>	
Education Technology State Grants	TJ-S1-06	84.318	488		1,329	
	TJ-S1-07		2,765		2,765	
Total Education Technology State Grants			<u>3,253</u>		<u>4,094</u>	
Improving Teacher Quality State Grants	TR-S1-06	84.367	5,754		13,511	
	TR-S1-07		95,905		91,262	
Total Improving Teacher Quality Grant			<u>101,659</u>		<u>104,773</u>	
Hurricane Education Recovery Grant	HR-01-06	84.938	9,000			
Total U.S. Department of Education			<u>827,362</u>		<u>896,275</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
(Passed Through Montgomery County Educational Service Center)						
Medical Assistance Program (CAFS)	N/A	93.778	219			
Total			<u>\$973,619</u>	<u>\$30,125</u>	<u>\$1,042,313</u>	<u>\$30,125</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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 value of the commodities received.

NOTE D - 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.

NOTE E - MEDICAL ASSISTANCE PROGRAM

The District received a fiscal year 2006 medical assistance program settlement in the amount of \$219 passed through the Montgomery County Educational Service Center which relate to CAFS services provided during prior years.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Clark-Shawnee Local School District
Clark County
3680 Selma Road
Springfield, Ohio 45502

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clark-Shawnee Local School District, Clark County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, the significant deficiency described above is also a material weakness.

Compliance and Other Matters

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

We did not certain noncompliance or other matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 7, 2007.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 7, 2007



Mary Taylor, CPA

Auditor of State

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

Clark-Shawnee Local School District
Clark County
3680 Selma Road
Springfield, Ohio 45502

To the Board of Education:

Compliance

We have audited the compliance of Clark-Shawnee Local School District, Clark County, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Clark-Shawnee Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

November 7, 2007

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

**Material Weakness
Recording of Accounts Payable**

The District has established procedures to identify invoices subsequent to fiscal year end that would be, according to generally accepted accounting principles (GAAP), a liability or more specifically an accounts payable. One procedure is to identify invoices that are dated prior to fiscal year end and paid in the subsequent fiscal year on the Uniform School Accounting System (USAS) as an account payable. USAS will automatically record these disbursements as payables to be recorded on the annual financial report as long as the invoice date entered on USAS is dated prior to fiscal year end and the disbursement is made subsequent to fiscal year end.

As a general rule, this procedure will help to determine if an invoiced amount is an accounts payable. However, invoice date is not the determining factor in recording an account payable. Defining factors for determining an account payable include, but are not limited to, delivery date, service date or dates, transport terms, and payment terms.

The District failed to record an \$89,568 accounts payable for special education services provided in May and June of 2007. This represents 17% of fund equity for remaining fund information. The invoice date was July 5, 2007, which would not be recorded on the USAS system as an account payable. The financial statements reflect an audit adjustment for this error.

To more accurately and materially reflect accounts payable at fiscal year end, the District should implement procedures to identify accounts payable. Such procedures should include analyzing high dollar transactions subsequent to fiscal year end to determine if goods or services paid for in the subsequent fiscal year were received or performed in the previous fiscal year.

Officials Response:

The District was billed for special education services provided during the 2006-2007 fiscal year on an invoice dated July 7, 2007. As it was dated outside the 2006-2007 fiscal year, the state software omitted it from the accounts payable report. I have discussed the situation with the Clark County Educational Service Center who in the future will bill for services in the year which the services were performed, and the accounts payable clerk will scrutinize the account payable listing for errors and the GAAP compiler will watch for discrepancies.

This response was edited to include only the corrective action plan. The full text of the response may be obtained by contacting the Treasurer at (937) 328-5378.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

CLARK-SHAWNEE LOCAL SCHOOL DISTRICT
CLARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-001	Improper record-keeping of latchkey revenue receipts.	Yes	



Mary Taylor, CPA
Auditor of State

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
DECEMBER 31, 2007**