



Auditor of State
Betty Montgomery

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	20
Statement of Fiduciary Net Assets – Fiduciary Funds.....	21
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	22
Notes to the Basic Financial Statements.....	23
Schedule of Receipts and Expenditures of Federal Awards.....	53
Notes to the Schedule of Receipts and Expenditures of Federal Awards.....	54
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	55
Independent Accountants' Report on Compliance with Requirements Applicable to its Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	57
Schedule of Findings.....	59
Schedule of Prior Audit Findings.....	62

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Claymont City School District
Tuscarawas County
201 North 3rd Street
Dennison, Ohio 44621

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major General Fund and the aggregate remaining fund information of Claymont City School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

As described in Note 3, the Claymont City School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2004 on our consideration of the Claymont City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

January 8, 2004

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

The discussion and analysis of the Claymont City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities decreased \$263,496 which represents a 1.05% decrease from 2002.
- General revenues accounted for \$14,241,719 in revenue or 84.85% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,543,025 or 15.15% of total revenues of \$16,784,744.
- The District had \$17,048,240 in expenses related to governmental activities; only \$2,543,025 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,241,719 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$13,833,903 in revenues and \$13,353,467 in expenditures. During fiscal 2003, the general fund's fund balance increased \$232,194 from \$817,101 to \$1,049,295.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Reporting the 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 District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in 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 financial statements provide a detailed *short-term* view of the 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 basic financial statements.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2003.

	Net Assets
	Governmental Activities 2003
<u>Assets</u>	
Current and other assets	\$ 7,819,892
Capital assets	28,231,616
Total assets	36,051,508
<u>Liabilities</u>	
Current liabilities	5,294,387
Long-term liabilities	5,819,469
Total liabilities	11,113,856
<u>Net Assets</u>	
Invested in capital assets, net of related debt	23,274,408
Restricted	1,122,535
Unrestricted	540,709
Total net assets	\$ 24,937,652

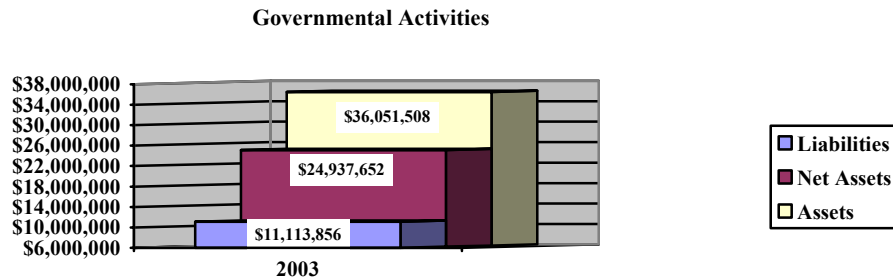
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$24,937,652. Of this total, \$540,709 is unrestricted in use.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

At year-end, capital assets represented 78.31% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2003, was \$23,274,408. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,122,535, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$540,709 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities <u>2003</u>
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 608,474
Operating grants and contributions	1,903,888
Capital grants and contributions	30,663
General revenues:	
Property taxes	3,555,629
Grants and entitlements	10,565,082
Investment earnings	47,559
Other	<u>73,449</u>
Total revenues	<u>\$ 16,784,744</u>

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

	Governmental Activities <u>2003</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 7,404,202
Special	1,597,001
Vocational	398,728
Other	91,188
Support services:	
Pupil	651,647
Instructional staff	901,234
Board of education	43,852
Administration	1,360,799
Fiscal	292,568
Business	118,971
Operations and maintenance	1,405,406
Pupil transportation	674,599
Central	407,374
Operations of non-instructional services	53,831
Food service operations	690,543
Extracurricular activities	573,530
Intergovernmental pass through	91,273
Interest and fiscal charges	<u>291,494</u>
Total expenses	<u>17,048,240</u>
Decrease in net assets	<u>\$ (263,496)</u>

Governmental Activities

Net assets of the District's governmental activities decreased by \$263,496. Total governmental expenses of \$17,048,240 were offset by program revenues of \$2,543,025 and general revenues of \$14,241,719. Program revenues supported 14.92% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 84.13% of total governmental revenue.

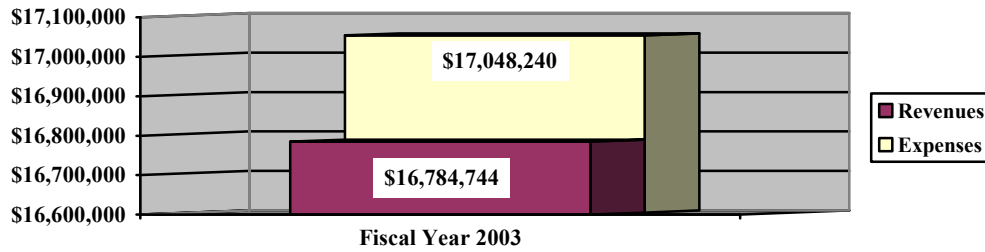
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,491,119 or 55.67% of total governmental expenses for fiscal 2003.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, 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 grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

Governmental Activities

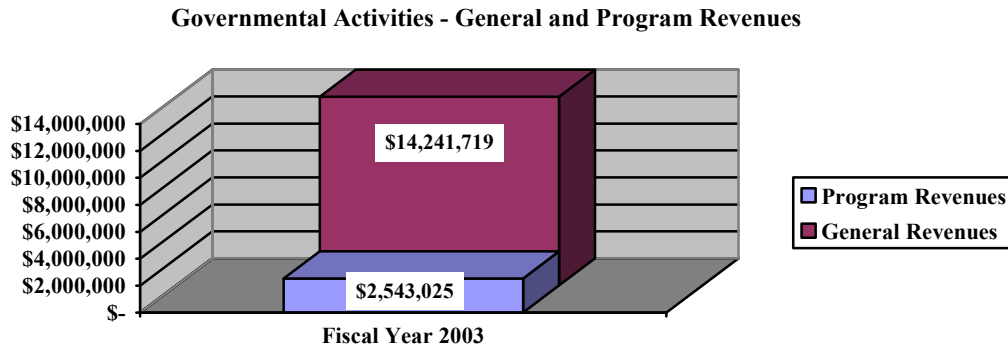
	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program expenses		
Instruction:		
Regular	\$ 7,404,202	\$ 6,970,818
Special	1,597,001	959,338
Vocational	398,728	398,728
Other	91,188	91,188
Support services:		
Pupil	651,647	642,896
Instructional staff	901,234	743,912
Board of education	43,852	43,852
Administration	1,360,799	1,275,486
Fiscal	292,568	292,568
Business	118,971	118,971
Operations and maintenance	1,405,406	1,404,981
Pupil transportation	674,599	634,479
Central	407,374	206,925
Operations of non-instructional services	53,831	(21)
Food service operations	690,543	116,466
Extracurricular activities	573,530	311,221
Intergovernmental pass through	91,273	1,913
Interest and fiscal charges	291,494	291,494
Total expenses	<u>\$ 17,048,240</u>	<u>\$ 14,505,215</u>

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 88.71% of instruction activities are supported through taxes, grants and entitlements and other general revenues. For all governmental activities, general revenue support is 85.08%. Grants and entitlements, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.



The District's Funds

The District's governmental funds (as presented on page 15) reported a combined fund balance of \$2,010,943, which is higher than last year's total of \$1,527,493. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance <u>June 30, 2003</u>	(Restated) Fund Balance <u>June 30, 2002</u>	Increase (Decrease)
General	\$ 1,049,295	\$ 817,101	\$ 232,194
Other Governmental	<u>961,648</u>	<u>710,392</u>	<u>251,256</u>
Total	<u>\$ 2,010,943</u>	<u>\$ 1,527,493</u>	<u>\$ 483,450</u>

General Fund

The District's general fund balance increased by \$232,194 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statements). The increase in fund balance can be attributed to the additional phase in of 20% in Parity Aid as well as increased enrollment. The District also received increased funding in federal programs. There appears to be a healthy increase in local taxes, but the amount of tax revenue available for advance from 2001 to 2002 decreased dramatically, resulting in lower tax revenue in 2002 as compared to 2003. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

	2003	Restated 2002	Increase (Decrease)	Percentage Change
	<u>Amount</u>	<u>Amount</u>		
<u>Revenues</u>				
Taxes	\$ 3,098,510	\$ 2,668,835	\$ 429,675	16.10%
Tuition	3,945	4,182	(237)	(5.67)
Earnings on investments	47,546	75,392	(27,846)	(36.93)
Intergovernmental	10,542,277	9,901,298	640,979	6.47
Other revenues	<u>141,625</u>	<u>156,840</u>	<u>(15,215)</u>	<u>(9.70)</u>
 Total	 <u>\$ 13,833,903</u>	 <u>\$ 12,806,547</u>	 <u>\$ 1,027,356</u>	 <u>8.02%</u>
<u>Expenditures</u>				
Instruction	\$ 7,581,010	\$ 7,366,225	214,785	2.92%
Support services	5,488,596	5,116,241	372,355	7.28
Extracurricular activities	282,136	274,460	7,676	2.80
Facilities acquisition and construction	1,725	42,293	(40,568)	(95.92)
Interest and fiscal charges	<u>-</u>	<u>980</u>	<u>(980)</u>	<u>(100.00)</u>
 Total	 <u>\$ 13,353,467</u>	 <u>\$ 12,800,199</u>	 <u>\$ 553,268</u>	 <u>4.32%</u>

General Fund Budgeting Highlights

The 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 2003, the District amended its general fund budget several times. For the general fund, final budgeted revenues were \$12,789,401, which approximates the original budgeted revenues estimate of \$12,689,401. Actual revenues for fiscal 2003 were \$13,800,801.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,011,465 were increased to \$15,136,890 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2003 totaled \$14,781,229, which were \$355,661 lower than the final budget appropriations.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$28,231,616 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. See Note 8 to the basic financial statements for detail. The following table shows fiscal 2003 balances compared to 2002:

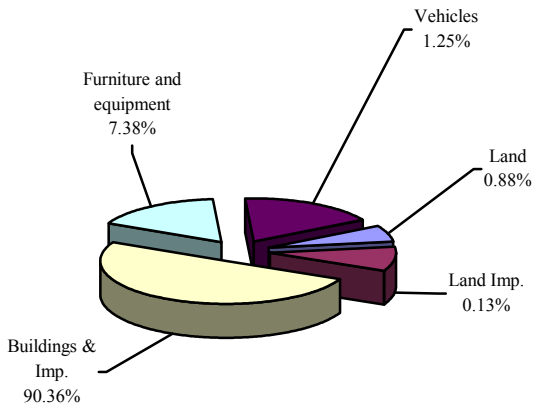
**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Land	\$ 247,253	\$ 247,253
Land improvements	36,693	44,192
Building and improvements	25,511,004	26,176,387
Furniture and equipment	2,084,384	2,441,524
Vehicles	352,282	323,649
Total	<u>\$ 28,231,616</u>	<u>\$ 29,233,005</u>

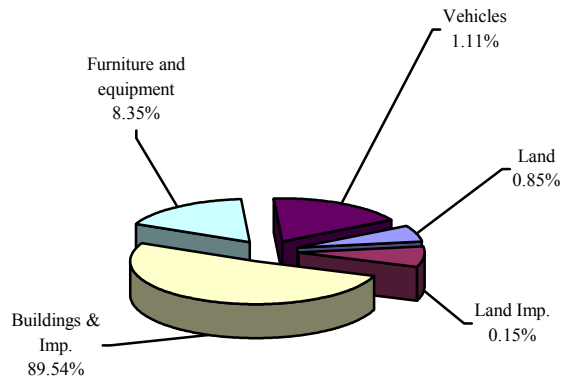
The overall decrease in capital assets of \$1,001,389 is primarily due to depreciation expense of \$1,256,490 exceeding capital outlays of \$320,435 in the fiscal year.

The graphs below present the District's capital assets for fiscal 2003 and fiscal 2002.

**Capital Assets - Governmental Activities
2003**



**Capital Assets - Governmental Activities
2002**



**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Debt Administration

At June 30, 2003 the District had \$4,957,208 in general obligation bonds outstanding. The issue is comprised of current issue bonds and capital appreciation bonds. See Note 9 to the basic financial statements for detail. Of this total, \$155,000 is due within one year and \$4,802,208 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	<u>Governmental Activities 2003</u>	<u>Governmental Activities 2002</u>
Current interest bonds	\$ 4,790,000	\$ 4,930,000
Capital appreciation bonds	<u>167,208</u>	<u>145,053</u>
Total	<u>\$ 4,957,208</u>	<u>\$ 5,075,053</u>

The District issued the general obligation bonds in 1997 to provide funds for various District building projects. The annual interest rate ranges from 4.20% to 5.70% and the bonds are scheduled to mature in fiscal 2022.

At June 30, 2003 the District's overall legal debt margin was \$8,047,319 (including available funds of \$268,430) and an unvoted debt margin of \$141,512.

For the Future

Due to the commitment of the Board and Administration, the District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the need for additional millage. The general fund cash balance was \$2,440,452 at June 30, 2003.

Several significant legislative and judicial actions have occurred that will have a major impact on our District and the current cash balance. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The State has yet to develop, and may not have the ability to fully fund, a constitutional educational system.

AM. Sub. HB - 95, the budget approved by the State for Fiscal Years 2004 and 2005, reinforces the belief that the State cannot fully fund an "adequate" or "equitable" system. A major concern is the added fear that the State may have to reduce their funds for a second year due to lower than projected revenues, which will create several challenges for the District. In addition the legislature is eliminating or phasing out portions of the local tax base and may force the need for additional milage sooner than the five-year projection of 2007.

Regardless of what happens, the District will continue its commitment to operate an effective and efficient educational facility.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Susan Raymond, Treasurer, Claymont City School District, 201 N. 3rd Street, Dennison, Ohio 44621-1278.

This page intentionally left blank.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2003

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,627,036
Receivables:	
Taxes	3,684,826
Accounts	17,683
Intergovernmental	443,413
Accrued interest	24
Prepayments	27,975
Materials and supplies inventory	18,935
Capital assets:	
Land	247,253
Depreciable capital assets, net	27,984,363
Capital assets, net.	<u>28,231,616</u>
 Total assets.	 <u>36,051,508</u>
 Liabilities:	
Accounts payable.	56,312
Retainage payable.	133,350
Accrued wages and benefits	1,606,647
Pension obligation payable.	333,315
Intergovernmental payable	91,364
Deferred revenue	3,054,370
Accrued interest payable	19,029
Long-term liabilities:	
Due within one year.	279,376
Due within more than one year	5,540,093
Total liabilities	<u>11,113,856</u>
 Net Assets:	
Invested in capital assets, net of related debt.	23,274,408
Restricted for:	
Capital projects	158,526
Debt service.	286,505
Other purposes	677,504
Unrestricted.	<u>540,709</u>
 Total net assets	 <u>\$ 24,937,652</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 7,404,202	\$ 57,186	\$ 369,836	\$ 6,362	\$ (6,970,818)
Special	1,597,001	-	637,663	-	(959,338)
Vocational	398,728	-	-	-	(398,728)
Other	91,188	-	-	-	(91,188)
Support services:					
Pupil	651,647	-	8,751	-	(642,896)
Instructional staff	901,234	-	157,322	-	(743,912)
Board of education	43,852	-	-	-	(43,852)
Administration	1,360,799	420	84,893	-	(1,275,486)
Fiscal	292,568	-	-	-	(292,568)
Business	118,971	-	-	-	(118,971)
Operations and maintenance	1,405,406	425	-	-	(1,404,981)
Pupil transportation	674,599	1,210	38,910	-	(634,479)
Central	407,374	-	176,148	24,301	(206,925)
Operation of non-instructional services:					
Food service operations	690,543	286,924	287,153	-	(116,466)
Other non-instructional services	53,831	-	53,852	-	21
Extracurricular activities	573,530	262,309	-	-	(311,221)
Intergovernmental pass-through	91,273	-	89,360	-	(1,913)
Interest and fiscal charges	291,494	-	-	-	(291,494)
Total governmental activities	<u>\$ 17,048,240</u>	<u>\$ 608,474</u>	<u>\$ 1,903,888</u>	<u>\$ 30,663</u>	<u>(14,505,215)</u>
General Revenues:					
Property taxes levied for:					
General purposes					3,107,638
Special revenue					59,063
Debt service					388,928
Grants and entitlements not restricted to specific programs					10,565,082
Investment earnings					47,559
Miscellaneous					73,449
					14,241,719
					Change in net assets (263,496)
					Net assets at beginning of year 25,201,148
					Net assets at end of year \$ 24,937,652

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,175,446	\$ 1,186,584	\$ 3,362,030
Receivables:			
Taxes	3,207,088	477,738	3,684,826
Accounts	16,343	1,340	17,683
Intergovernmental	5,673	437,740	443,413
Accrued interest	24	-	24
Interfund receivable	131,004	-	131,004
Prepayments	27,975	-	27,975
Materials and supplies inventory	-	18,935	18,935
Restricted assets:			
Equity in pooled cash and cash equivalents	265,006	-	265,006
Total assets	\$ 5,828,559	\$ 2,122,337	\$ 7,950,896
Liabilities:			
Accounts payable	\$ 46,011	\$ 10,301	\$ 56,312
Retainage payable	-	133,350	133,350
Accrued wages and benefits	1,453,436	153,211	1,606,647
Compensated absences payable	57,408	-	57,408
Pension obligation payable	195,938	18,058	213,996
Intergovernmental payable	75,663	15,701	91,364
Interfund payable	-	131,004	131,004
Deferred revenue	2,950,808	699,064	3,649,872
Total liabilities	4,779,264	1,160,689	5,939,953
Fund Balances:			
Reserved for encumbrances	810,709	207,662	1,018,371
Reserved for materials and supplies inventory	-	18,935	18,935
Reserved for prepayments	27,975	-	27,975
Reserved for property tax unavailable for appropriation	256,280	38,350	294,630
Reserved for interfunds	8,710	-	8,710
Reserved for capital acquisition	265,006	-	265,006
Unreserved, undesignated, reported in:			
General fund	(319,385)	-	(319,385)
Special revenue funds	-	369,258	369,258
Debt service fund	-	235,036	235,036
Capital projects funds	-	92,407	92,407
Total fund balances	1,049,295	961,648	2,010,943
Total liabilities and fund balances	\$ 5,828,559	\$ 2,122,337	\$ 7,950,896

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

Total governmental fund balances		\$	2,010,943
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			28,231,616
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	335,826	
Intergovernmental revenue		<u>259,676</u>	
Total			595,502
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(804,853)	
Pension obligation payable		(119,319)	
General obligation bonds payable		(4,957,208)	
Accrued interest payable		<u>(19,029)</u>	
Total			<u>(5,900,409)</u>
Net assets of governmental activities		\$	<u><u>24,937,652</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 3,098,510	\$ 446,819	\$ 3,545,329
Tuition.	3,945	-	3,945
Charges for services.	-	285,529	285,529
Earnings on investments.	47,546	6,545	54,091
Extracurricular.	-	234,614	234,614
Rentals.	2,905	-	2,905
Contributions and donations.	425	86,323	86,748
Other local revenues.	93,310	19,793	113,103
Other revenue	44,985	-	44,985
Intergovernmental - State.	10,497,377	608,236	11,105,613
Intergovernmental - Federal	44,900	1,089,464	1,134,364
Total revenue	<u>13,833,903</u>	<u>2,777,323</u>	<u>16,611,226</u>
Expenditures:			
Current:			
Instruction:			
Regular	6,022,860	316,201	6,339,061
Special.	1,094,788	475,037	1,569,825
Vocational.	372,174	-	372,174
Other.	91,188	-	91,188
Support services:			
Pupil.	648,075	9,529	657,604
Instructional staff	698,324	179,712	878,036
Board of education	43,852	-	43,852
Administration.	1,310,846	57,456	1,368,302
Fiscal	279,950	9,176	289,126
Business	125,996	-	125,996
Operations and maintenance.	1,425,463	11,802	1,437,265
Pupil transportation	696,198	552	696,750
Central.	259,892	168,477	428,369
Operation of non-instructional services:			
Food service operations	-	613,404	613,404
Other non-instructional services	-	43,295	43,295
Extracurricular activities.	282,136	274,930	557,066
Intergovernmental pass-through	-	91,273	91,273
Facilities acquisition and construction	1,725	121,376	123,101
Debt service:			
Principal retirement	-	140,000	140,000
Interest and fiscal charges	-	269,503	269,503
Total expenditures	<u>13,353,467</u>	<u>2,781,723</u>	<u>16,135,190</u>
Excess of revenues under expenditures	<u>480,436</u>	<u>(4,400)</u>	<u>476,036</u>
Other financing sources (uses):			
Transfers in	-	237,044	237,044
Transfers (out).	(236,721)	(323)	(237,044)
Proceeds from sale of capital assets.	130	-	130
Total other financing sources (uses)	<u>(236,591)</u>	<u>236,721</u>	<u>130</u>
Net change in fund balances	243,845	232,321	476,166
Fund balances at beginning of year (restated)			
	817,101	710,392	1,527,493
Increase in reserve for inventory	<u>(11,651)</u>	<u>18,935</u>	<u>7,284</u>
Fund balances at end of year.	<u>\$ 1,049,295</u>	<u>\$ 961,648</u>	<u>\$ 2,010,943</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Net change in fund balances - total governmental funds	\$	476,166
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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. This is the amount by which depreciation expense exceeds capital outlays in the current period.		(936,055)
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(65,334)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		7,284
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		134,866
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		140,000
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		(21,991)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		1,568
Change in net assets of governmental activities	\$	<u><u>(263,496)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues:				
From local sources:				
Taxes	\$ 3,095,000	\$ 2,877,000	\$ 3,068,775	\$ 191,775
Tuition	2,000	2,000	3,945	1,945
Earnings on investments	60,000	47,500	47,562	62
Rentals	1,500	1,500	2,905	1,405
Contributions and donations	-	-	425	425
Other local revenues	46,900	43,700	94,018	50,318
Other revenue	44,401	44,401	44,985	584
Intergovernmental - State	9,424,600	9,758,300	10,497,378	739,078
Intergovernmental - Federal	15,000	15,000	40,808	25,808
Total revenue	<u>12,689,401</u>	<u>12,789,401</u>	<u>13,800,801</u>	<u>1,011,400</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,539,484	6,353,250	6,233,496	119,754
Special	1,165,534	1,180,916	1,157,981	22,935
Vocational	345,215	424,365	387,703	36,662
Other	218,177	150,177	95,678	54,499
Support services:				
Pupil	693,063	689,660	663,075	26,585
Instructional staff	806,128	770,253	739,947	30,306
Board of education	49,969	71,969	62,824	9,145
Administration	1,370,021	1,382,722	1,367,054	15,668
Fiscal	305,155	305,155	292,798	12,357
Business	163,450	163,450	158,436	5,014
Operations and maintenance	1,945,632	1,931,596	1,719,098	212,498
Pupil transportation	729,528	819,528	802,759	16,769
Central	335,232	322,051	277,168	44,883
Extracurricular activities	308,837	298,837	282,939	15,898
Facilities acquisition and construction	36,040	36,240	18,325	17,915
Total expenditures	<u>15,011,465</u>	<u>14,900,169</u>	<u>14,259,281</u>	<u>640,888</u>
Excess of revenues over (under) expenditures	<u>(2,322,064)</u>	<u>(2,110,768)</u>	<u>(458,480)</u>	<u>1,652,288</u>
Other financing sources (uses):				
Refund of prior year expenditure	-	-	14,798	14,798
Transfers (out)	-	(236,721)	(236,721)	-
Advances in	-	-	571,004	571,004
Advances (out)	-	-	(285,227)	(285,227)
Proceeds from sale of capital assets	-	-	130	130
Total other financing sources (uses)	<u>-</u>	<u>(236,721)</u>	<u>63,984</u>	<u>300,705</u>
Net change in fund balance	(2,322,064)	(2,347,489)	(394,496)	1,952,993
Fund balance at beginning of year	942,670	942,670	942,670	-
Prior year encumbrances appropriated	1,036,232	1,036,232	1,036,232	-
Fund balance at end of year	<u>\$ (343,162)</u>	<u>\$ (368,587)</u>	<u>\$ 1,584,406</u>	<u>\$ 1,952,993</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 8,059	\$ 40,511
Total assets.	8,059	40,511
Liabilities:		
Accounts payable.	-	50
Due to students	-	40,461
Total liabilities	-	\$ 40,511
Net Assets:		
Held in trust for scholarships	8,059	
Total net assets	\$ 8,059	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 129
Total additions.	129
Deductions:	
Scholarships awarded	1,500
Change in net assets	(1,371)
Net assets at beginning of year.	9,430
Net assets at end of year	\$ 8,059

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Claymont City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District ranks as the 231st largest by total enrollment among the 740 public and community school districts in the state. The District is located within the City of Uhrichsville and the Village of Dennison, Ohio. It operates under a locally-elected five-member board and provides educational services as authorized and mandated by state and federal agencies. The Board controls the District's six instructional support facilities staffed by 94 classified employees and 160 certificated teaching personnel, and 13 administrators, who provide services to 2,320 students. The District operates three elementary schools, a 5th - 6th grade intermediate school, a 7th - 8th grade junior high, one 9th - 12th high school and one garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

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

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

City of Uhrichsville and the Village of Dennison

The City of Uhrichsville and the Village of Dennison are separate bodies politic and corporate. A mayor and council are elected independent of any District relationships, and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for the City and for the Village.

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School District (JVSD)

The JVSD is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The JVSD's Board of Education is comprised of representatives from the Board of each participating school district. THE JVSD's Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District's students may attend the vocational school. Each school district's control is limited to its representation on the JVSD's Board. During fiscal year 2003, no monies were paid to the JVSD by the District.

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)

OME-RESA is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

The OME-RESA is one of 23 regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by 49 member school districts in 10 different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tuscarawas County Tax Incentive Review Council (TCTIRC)

The TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to state statutes. TCTIRC has 22 members, consisting of 3 members appointed by the County Commissioners, 4 members appointed by municipal corporations, 6 members appointed by township trustees, 1 member from the county auditor's office and 8 members appointed by boards of education located within the County. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TRTIRC is not dependent on the District's continued participation and no equity interest exists.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Stark County Schools Council of Governments

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool, with participants from Stark, Summit and Portage Counties. The consortium is governed by an assembly, which consists of one representative from each participating District (usually the superintendent or designee). The assembly elects officers for two-year terms to serve on the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to Stark County Educational Service Center, 2100 38th Street, Canton, Ohio 44709.

RELATED ORGANIZATION

Claymont Public Library

The Claymont Public Library is a related organization to the District. The School Board members are responsible for appointing the trustees of the Public Library; however, The School Board cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax relief related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determines its own budget. Financial information can be obtained from the Claymont Public Library, 215 E. 3rd Street, Uhrichsville, Ohio 44683.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

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 is the District's major governmental fund:

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements 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.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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 cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control has been established by the Board of Education at the function level of expenditures for the general fund and the fund level of expenditures for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

TAX BUDGET

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing tax rates.

By no later than January 20, the Board-adopted budget is filed with the Tuscarawas County Budget Commission for rate determination.

ESTIMATED RESOURCES

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

APPROPRIATIONS

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution must be legally enacted by the Board of Education at the function level of expenditures for the general fund and at the fund level of expenditures for all other funds, which is the legal level of budgetary control. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the appropriations at the legal level of control must be approved by the Board of Education. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the object level in the general fund and function and object level in all other funds without resolution by the Board of Education.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. Supplemental appropriations were legally enacted by the Board during fiscal year 2003.

The budget figures, which appear in the statements of budgetary comparisons, represent the original appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

LAPSING OF APPROPRIATIONS

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2003, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Under existing Ohio statute, the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$47,546, which includes \$14,287 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of donated food and purchased food.

H. Capital Assets

General capital assets are those related to government activities. 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.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 for its general capital assets. 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 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>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

J. Compensated Absences

GASB Statement No. 16, "Accounting for Compensated Absences", specifies the method used to accrue liabilities for leave benefits. 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 District will compensate the employees for the benefits through paid time off or some other means. The 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 termination method. An accrual for earned sick leave is made to the extent that is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund 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 funds. However, claims and judgments, 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 year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, tax advance unavailable for appropriation, interfunds and capital acquisitions. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

M. Net Assets

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

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 16 for details.

Q. Interfund Activity

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

R. Parochial and Private Schools

Within the District boundaries, the Immaculate Conception School is operated through the Columbus Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in the non major governmental fund for financial reporting purposes.

S. Extraordinary and Special Items

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified from enterprise to nonmajor governmental to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance			
June 30, 2002	\$ 797,010	\$ 926,926	\$ 1,723,936
Fund reclassifications	-	(216,534)	(216,534)
Implementation of GASB			
Interpretation No. 6	<u>20,091</u>	<u>-</u>	<u>20,091</u>
Restated fund balance,			
June 30, 2002	<u>\$ 817,101</u>	<u>\$ 710,392</u>	<u>\$ 1,527,493</u>

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2002	\$ 1,527,493
GASB 34 adjustments:	
Long-term (deferred) assets	460,636
Capital assets	29,233,005
Accrued interest payable	(19,193)
Long-term liabilities	(6,000,793)
Governmental activities net assets, June 30, 2002	\$ 25,201,148

B. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 71,291
Miscellaneous State Grants	6,536
Job Training Partnership	4,373
Title VI-B	8,079
Title VI	2,864

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

C. Appropriations Exceeding Estimated Resources

Appropriations and carryover encumbrances exceeded estimated resources at the beginning of the year in the general fund in the amount of \$343,162. At year-end, appropriations and carryover encumbrances exceeded estimated resources in the general fund in the amount of \$368,587.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two-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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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 may 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

Cash on Hand: At fiscal year-end, the District had \$2,100 in undeposited cash on hand, which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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

Deposits: At year-end, the carrying amount of the District's deposits was \$152,950 and the bank balance was \$423,750.

1. \$100,000 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$323,750 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

The District had an investment of \$3,520,556 in STAR Ohio at June 30, 2003. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,675,606	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(3,520,556)	3,520,556
Cash on hand	(2,100)	-
GASB Statement No. 3	\$ 152,950	\$ 3,520,556

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2003 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 122,294

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2003 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:		
General Fund		\$236,721
Nonmajor Governmental fund		323

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

- C.** Advances from/to other funds consisted of the following at June 30, 2003, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 8,710

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The balance in the general fund represents amounts due from other funds that are not expected to be repaid within the next fiscal year.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date 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, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$256,280 in the general fund, \$4,956 in the special revenue funds and \$33,394 in the debt service fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2002 was \$226,545 in the general fund, \$4,371 in the special revenue funds, and \$29,367 in the debt service fund.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	2002 Second Half Collections		2003 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 106,944,870	75.91	\$ 109,033,650	77.05
Public Utility Personal	8,588,480	6.10	8,753,920	6.19
Tangible Personal Property	<u>25,345,300</u>	<u>17.99</u>	<u>23,724,620</u>	<u>16.76</u>
Total	<u>\$ 140,878,650</u>	<u>100.00</u>	<u>\$ 141,512,190</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 31.85		\$ 31.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities	
Property taxes	\$ 3,684,826
Accounts	17,683
Intergovernmental	443,413
Accrued interest	<u>24</u>
Total	<u>\$ 4,145,946</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to the fund reclassifications described in Note 3.A.

	<u>Balance</u> <u>6/30/02</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/02</u>
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$ 247,253	\$ -	\$ 247,253
Total capital assets, not being depreciated	<u>247,253</u>	<u>-</u>	<u>247,253</u>
Capital assets, being depreciated:			
Land improvements	258,039	-	258,039
Buildings and improvements	30,491,831	-	30,491,831
Furniture and equipment	2,968,523	676,449	3,644,972
Vehicles	<u>1,020,379</u>	<u>11,490</u>	<u>1,031,869</u>
Total capital assets, being depreciated	<u>34,738,772</u>	<u>687,939</u>	<u>35,426,711</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(6,440,959)</u>	<u>(6,440,959)</u>
Governmental activities capital assets, net	<u>\$ 34,986,025</u>	<u>\$ (5,753,020)</u>	<u>\$ 29,233,005</u>

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 8 - CAPITAL ASSETS - (Continued)

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

	Restated Balance <u>06/30/02</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/03</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 247,253	\$ -	\$ -	\$ 247,253
Total capital assets, not being depreciated	<u>247,253</u>	<u>-</u>	<u>-</u>	<u>247,253</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	258,039	-	-	258,039
Buildings and improvements	30,491,831	186,411	(107,031)	30,571,211
Furniture and equipment	3,644,972	32,484	-	3,677,456
Vehicles	<u>1,031,869</u>	<u>101,540</u>	<u>(73,658)</u>	<u>1,059,751</u>
Total capital assets, being depreciated	<u>35,426,711</u>	<u>320,435</u>	<u>(180,689)</u>	<u>35,566,457</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(213,847)	(7,499)	-	(221,346)
Buildings and improvements	(4,315,444)	(786,460)	41,697	(5,060,207)
Furniture and equipment	(1,203,448)	(389,624)	-	(1,593,072)
Vehicles	<u>(708,220)</u>	<u>(72,907)</u>	<u>73,658</u>	<u>(707,469)</u>
Total accumulated depreciation	<u>(6,440,959)</u>	<u>(1,256,490)</u>	<u>115,355</u>	<u>(7,582,094)</u>
Governmental activities capital assets, net	<u>\$ 29,233,005</u>	<u>\$ (936,055)</u>	<u>\$ (65,334)</u>	<u>\$ 28,231,616</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 970,487
Special	48,423
Vocational	14,315

Support Services:

Pupil	5,405
Instructional staff	19,279
Administration	9,386
Operations and maintenance	27,262
Pupil transportation	70,236
Central	4,123
Extracurricular activities	29,625
Food service operations	<u>57,949</u>

Total depreciation expense \$ 1,256,490

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 9 - LONG-TERM OBLIGATIONS

A. The District's long-term obligations during the year consist of the following:

	Balance Outstanding <u>06/30/02</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/03</u>	Amounts Due in <u>One Year</u>
General obligation bonds	\$ 5,075,053	\$ 22,155	\$ (140,000)	\$ 4,957,208	\$ 155,000
Compensated absences	<u>848,939</u>	<u>54,245</u>	<u>(40,923)</u>	<u>862,261</u>	<u>124,376</u>
Total governmental activities	<u>\$ 5,923,992</u>	<u>\$ 76,400</u>	<u>\$ (180,923)</u>	<u>\$ 5,819,469</u>	<u>\$ 279,376</u>

B. On April 1, 1997, the District issued voted school improvement general obligation bonds for the purpose of improvements to the various school buildings. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund.

This issue is comprised of both current interest bonds, par value \$4,790,000, and capital appreciation bonds, par value \$520,000. The interest rates on the current interest bonds range from 4.20% to 5.70%. The capital appreciation bonds mature on December 1, 2010 (effective interest 15.271%) and December 1, 2011 (effective interest 15.276%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2003 was \$69,597. A total of \$97,611 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2003.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2021.

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

	Balance <u>July 1, 2002</u>	<u>Appreciation</u>	<u>Reductions</u>	Balance <u>June 30, 2003</u>
Current interest bonds	\$ 4,930,000	\$ -	\$ (140,000)	\$ 4,790,000
Capital appreciation bonds	<u>145,053</u>	<u>22,155</u>	<u>-</u>	<u>167,208</u>
Total G.O. bonds	<u>\$ 5,075,053</u>	<u>\$ 22,155</u>	<u>\$ (140,000)</u>	<u>\$ 4,957,208</u>

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 155,000	\$ 262,197	\$ 417,197	\$ -	\$ -	\$ -
2005	170,000	254,030	424,030	-	-	-
2006	185,000	244,974	429,974	-	-	-
2007	200,000	235,010	435,010	-	-	-
2008	220,000	224,035	444,035	-	-	-
2009 - 2013	730,000	984,095	1,714,095	520,000	-	520,000
2014 - 2018	1,545,000	681,865	2,226,865	-	-	-
2019 - 2022	<u>1,585,000</u>	<u>186,819</u>	<u>1,771,819</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,790,000</u>	<u>\$ 3,073,025</u>	<u>\$ 7,863,025</u>	<u>\$ 520,000</u>	<u>\$ -</u>	<u>\$ 520,000</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$8,047,319 (including available funds of \$268,430) and an unvoted debt margin of \$141,512.

NOTE 10 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified and twelve-month administrative employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and other administrators 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 245 days for all employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 168 days, up to a maximum of 50 days, to classified employees. Certified employees receive one-fourth of their total sick leave accumulation, up to a maximum of 50 days.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted with Indiana Insurance Co./Mid America Fire & Casualty for property insurance, boiler and machinery, inland marine coverage, fleet insurance and general liability coverage. Coverages under these policies are as follows:

Building and Contents (\$2,500 deductible)	\$62,279,123
Blanket Computer Coverage (\$250 deductible)	2,069,947
Audio/Visual Equipment Coverage (\$500 deductible)	57,000
Musical Instruments (\$500 deductible)	245,905
Public Employee Dishonesty-Westfield Co. (Romig Ins.)	2,500
Automobile Liability (\$100 deductible-comprehensive) (\$500 deductible-collision) - Netherlands Ins. Co. (Kennedy)	1,000,000
School Leaders Errors and Omissions Liability (\$2,500 deductible):	
Wrongful act	1,000,000
Aggregate limit	1,000,000
Sexual Misconduct and Molestation Liability:	
Each loss	1,000,000
Aggregate limit	1,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate per year	2,000,000
Employee Benefits Liability (\$1,000 deductible)	
Each loss	1,000,000
Aggregate limit	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage from the prior year.

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through Standard Life Insurance Company.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Medical, Dental and Vision Insurance

The District participates in the Stark County Council of Governments Health Benefit Plan, a risk sharing pool to provide medical/surgical benefits for employees. The plan provides a medical/surgical plan with a \$200 family and \$100 single deductible. Co-insurance pays 80% of usual, customary and reasonable charges with yearly maximum out-of-pocket expenses of \$500 per individual or \$1,000 for two or more family members. The Stark County Council has selected Mutual Health Services to provide third party administrative services in claims processing. Employees may elect to choose from two Preferred Provider Organizations (PPO) to increase the co-insurance from 80% to 90%. The provider organizations are: Aultcare and Super Med. A preferred provider drug program is also included in the insurance program. The employee pays a 20% co-payment to the provider and the remaining 80% is directly billed to the insurance company. Caremark serves as the preferred provider for the drug program. During fiscal year 2003, the District paid \$619.96 for family or \$255.20 for individual coverage per month to the Stark County Board of Education who serves as fiscal agent for the Health Benefits Plan. The premium is paid by the fund that pays the salary for the employee and is based on a rate determined by an actuary for the Health Benefits Plan.

The District also provides dental and vision benefits, which are administered by the Health Benefits Plan. Mutual Health Services serves as the third party administrator to provide claims processing services these plans. During fiscal year 2003, the premium for dental coverage was \$79.94 monthly for family coverage and \$32.41 for individual coverage. During fiscal year 2003, the premium for vision coverage was \$16.96 for family coverage and \$6.83 for individual coverage. The premiums for these coverages are also paid into the insurance pool.

D. Workers' Compensation

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the 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 of the GRP. A participant is required pay a membership fee. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% 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 adequacy of the contribution rates is determined annually. The District's required contributions for pension obligation to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$151,808, \$100,697, and \$71,216, respectively; 45.78% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$82,318, represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligation to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$973,962, \$703,319, and \$688,731, respectively; 77.95% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$155,049, represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$74,920 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$126,454 during the 2003 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) 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 the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (394,496)
Net adjustment for revenue accruals	33,102
Net adjustment for expenditure accruals	49,768
Net adjustment for other sources/uses	(300,575)
Adjustment for encumbrances	<u>856,046</u>
GAAP basis	<u>\$ 243,845</u>

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 15 - CONTINGENCIES - (Continued)

C. State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2002	\$ (198,798)	\$ 188,632
Current year set-aside requirement	305,567	305,567
Current year offsets	(126,156)	(65,718)
Qualifying disbursements	<u>-</u>	<u>(163,475)</u>
Total	<u>\$ (19,387)</u>	<u>\$ 265,006</u>
Cash balance carried forward to FY 2004	<u>\$ (19,387)</u>	<u>\$ 265,006</u>

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for capital acquisition	<u>\$ 265,006</u>
---	-------------------

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 2003, the District had the following contractual purchase commitments outstanding:

<u>Contractor</u>	<u>Purpose</u>	<u>Amount</u>
Canton Elevator Service	Elevator for high school	\$ 5,804
Stanley Miller	Renovations to existing high school and middle school	2,281
AAA Mechanical Services	Renovations to high school	21,486
Capital Equipment	Media center casework for high school	1,223
Tom Sexton	Furniture at new high school	1,338
Helblings	Kitchen equipment at high school	<u>1,634</u>
Total		<u>\$ 33,766</u>

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Passed Through Grantor/ Program Title	Pass Through Grantor Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>(Passed through the Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$38,522		\$35,176
National School Breakfast Program	N/A	10.553	\$40,487		\$40,487	
National School Lunch Program	N/A	10.555	196,200		196,200	
Total U.S. Department of Agriculture - Child Nutrition Cluster			236,687	38,522	236,687	35,176
<u>U.S. DEPARTMENT OF LABOR</u>						
<i>(Passed Through Ohio Workforce Initiative Association)</i>						
Workforce Initiative	2001	17.250	732		32	
	2002		23,811		17,858	
	2003				1,231	
Total U.S. Department of Labor			24,543		19,121	
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>(Passed Through the Ohio Department of Education)</i>						
Special Education Cluster:						
Title I Grants to Local Educational Agencies	C1-S1 2002	84.010	250,269		93,839	
	C1-S1 2003		397,492		377,876	
Total Title I Grants to Local Educational Agencies			647,761		471,715	
Special Education Grants to States	6B-SF 2002	84.027	92,899		58,481	
	6B-SF 2003		191,463		169,151	
Total Special Education Grants to States			284,362		227,632	
Eisenhower Professional Development State Grants	MS-S1 2002	84.281	50		12,634	
Safe & Drug Free Schools and Community	DR-S1 2001	84.186			5,164	
	DR-S1 2003		8,350		13,383	
Total Safe & Drug Free Schools and Community State Grant			8,350		18,547	
Title II-D - Technology Literacy Challenge Funds Grant	TJ-S1 2003	84.318	14,626		13,620	
Class Size Reduction	CR-S1 2000	84.340	2,403		2,403	
	CR-S1 2002		21,214		7,373	
Total Class Size Reduction			23,617		9,776	
Title VI - Innovative Educational Program Strategies	C2-S1-2001	84.298			2,523	
	C2-S1-2002		9,549		1,351	
	C2-S1-2003		31,194		25,909	
Total Title VI - Innovative Education Program Strategies			40,743		29,783	
Continuous Improvement and Baldrige	G2-S2 2001	84.276			3,952	
	G2-S9 2002				4,989	
Total Continuous Improvement and Baldrige Grants					8,941	
Assistive Technology Program	AT-S1 2002	84.352	12,254		5,646	
Title VI-B Rural Education Grants	RUS1 2003	84.358	47,060		47,060	
Title II -A Improving Teacher Quality State Grants	TRS1 2003	84.367	68,283		86,937	
Total U.S. Department of Education			1,147,106		932,291	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>(Passed Through Ohio Department of Mental Retardation and Developmental Disabilities)</i>						
Medicaid Assistance Program	N/A	93.778	40,808		40,808	
Total			\$1,449,144	\$38,522	\$1,228,907	\$35,176

The notes to the Schedule of Receipts and Expenditures of Federal Awards are an integral part of this statement.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

NOTE C – MEDICAL ASSISTANCE PROGRAM

Cash receipts from the U.S. Department of Health and Human Services for the Medical Assistance Program-CAFS are commingled with local funds. It is assumed federal monies are expended first.

NOTE D – TRANSFERABILITY OF FEDERAL FUNDS

During 2003, the District made the following reallocations from original budgeted federal programs to other federal programs approved by the Ohio Department of Education:

<u>Fund</u>	<u>CFDA Number</u>	<u>Reallocations</u>
Title VI – Innovative Programs	84.298	\$25,000
Title II-A - Improving Teacher Quality	84.367	<u>(25,000)</u>
Total		<u><u>\$0</u></u>

The Schedule reports the reallocated expenditures in the receiving program ultimately authorized to receive and disburse the monies.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Claymont City School District
Tuscarawas County
201 North 3rd Street
Dennison, Ohio 44621

To the Board of Education:

We have audited the basic financial statements of Claymont City School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 8, 2004, in which we noted the District adopted Governmental Accounting Standards Board Statement No 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted other immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 8, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness.

Also, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 8, 2004.

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



Betty Montgomery
Auditor of State

January 8, 2004



Auditor of State Betty Montgomery

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

Claymont City School District
Tuscarawas County
201 North 3rd Street
Dennison, Ohio 44621

To the Board of Education:

Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

January 8, 2004

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number 2003-001

Reportable Condition – Athletics

During our testing of certain athletic events, the following were noted:

- While the District's Athletic Department is required to utilize a Ticket Recap Sheet for each High School event, 18% of high school athletic events tested did not have a Ticket Recap Sheet.
- For 11% of Ticket Recap Sheets tested, evidence that reconciliations of cash collected to tickets sold did not exist and variances (e.g., overages and shortages) were not documented. Those overages and shortages ranged between (\$130) and \$50.
- For a high school wrestling match on December 20, 2002 and another one on January 8, 2003, the sequence of student tickets documented on the Ticket Recap Sheet was 10752-10773 and 10764-10805, respectively. However, the sequence of 10764-10773 could not have been sold at both events, because the ticket sequence would have overlapped both wrestling matches. As a result, the risk of misappropriation of athletic revenue is increased.

To improve internal control we recommend:

- Ticket Recap Sheets should be utilized for all athletic events which document the specific athletic event with beginning and ending ticket numbers by ticket type (e.g., adult or student).
- Ticket Recap Sheets should document a reconciliation of cash collected to tickets sold and the resulting variances (e.g., overages and shortages) for each athletic event. In addition, Ticket Recap Sheets should be signed and dated by the Ticket Taker and/or the Ticket Manager and Athletic Director as evidence tickets sold reconcile to monies deposited. Significant overages or shortages should be investigated by the Ticket Manager and Athletic Director with resolution documented on the form.
- For tickets sold at each athletic event, the Ticket Manager or Athletic Director should review the tickets issued to the Ticket Taker to help ensure the tickets are in proper sequence.

This will help reduce the risk of misappropriation of athletic revenue.

Finding Number 2003-002

Reportable Condition – Student Activities

During our testing of certain student activities, the following were noted:

- Student activity budgets are not prepared for each respective student activity fundraiser.
- For 10% of student activity fundraisers tested, an Estimated Sales Project Report was not completed as evidence the fundraiser was properly approved.
- For 20% of student activity fundraisers tested, a Final Sales Project Report was not completed which details the fundraisers project activity.
- The Junior Class of 2004 Advisor utilized other student activity fundraiser monies on-hand to directly purchase prom items without initially depositing the cash proceeds with the District's Treasurers Office and the District's Treasurers office issuing a subsequent purchase order. Additionally, the respective advisor was not an employee of the District and, the advisor was not bonded.

Finding Number 2003-002 (Continued)

Reportable Condition – Student Activities (Continued)

As a result, the risk of misappropriation of student activities is increased.

- Student activity advisors should prepare a student activity budget prior to the commencement of each respective student activity fundraiser. Additionally, the student activity budget should subsequently be approved by the Board of Education as evidenced in the minute records.
- Estimated and Final Sales Projects Reports should be completed and approved by the designated official for all student activity fundraisers.
- Student activity fundraiser receipts should be deposited directly with the District's Treasurer. Under no circumstances should expenditures be made with cash from a student activity. Student activity proceeds are considered public funds and should be accounted for on the District's financial statements. In addition, proper steps should be followed to obtain approved purchase orders for all student activity expenditures. In the event the District utilizes an advisor that is not a District employee, the District should ensure the advisor is adequately bonded.

Implementing these recommendations will help reduce the risk of misappropriation of student activity revenue.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2002-11279-001	Ohio Revised Code Section 5705.39 appropriations exceeded total estimated resources in various funds.	No	Partially corrected. For the funds tested during fiscal year 2003 audit, appropriations exceeded estimated resources in the General Fund.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CLAYMONT CITY SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2004**