



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





**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  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

## INDEPENDENT ACCOUNTANTS' REPORT

Clinton-Massie Local School District  
Clinton County  
2556 Lebanon Road  
Clarksville, Ohio 45113

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Clinton-Massie Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

January 10, 2003



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Clinton Massie Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$3,056,210	\$158,782	\$11,075,393	\$16,161,218
Restricted Equity in Pooled Cash and Investments	151,926	0	0	0
Receivables:				
Taxes	2,688,389	39,660	880,220	0
Intergovernmental	0	2,373	0	0
Accounts	40,947	727	0	0
Accrued Interest	13,280	0	0	0
Inventory	0	0	0	0
Fixed Assets ( Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets &amp; Other Debits</b>	<b>\$5,950,752</b>	<b>\$201,542</b>	<b>\$11,955,613</b>	<b>\$16,161,218</b>
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$163,718	\$11,251	\$0	\$0
Contracts Payable	0	0	0	55,992
Accrued Wages & Benefits	803,750	52,047	0	0
Compensated Absences Payable	49,348	0	0	0
Deferred Revenue	2,524,164	35,442	793,581	0
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Notes Payable	0	0	10,000,000	0
<b>Total Liabilities</b>	<b>3,540,980</b>	<b>98,740</b>	<b>10,793,581</b>	<b>55,992</b>
Fund Equity & Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	307,676	13,816	0	1,319,112
Reserved for Property Tax Advances	175,335	4,218	86,639	0
Reserved for Endowments	0	0	0	0
Reserved for Budget Set-Asides	43,584	0	0	0
Designation for Budget Reserve	108,342	0	0	0
Unreserved & Undesignated	1,774,835	84,768	1,075,393	14,786,114
<b>Total Fund Equity (Deficit) &amp; Other Credits</b>	<b>2,409,772</b>	<b>102,802</b>	<b>1,162,032</b>	<b>16,105,226</b>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<b>\$5,950,752</b>	<b>\$201,542</b>	<b>\$11,955,613</b>	<b>\$16,161,218</b>

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$22,157	\$67,325	\$0	\$0	\$30,541,085
0	0	0	0	151,926
0	0	0	0	3,608,269
0	0	0	0	2,373
29	0	0	0	41,703
0	120	0	0	13,400
14,481	0	0	0	14,481
136,920	0	12,364,222	0	12,501,142
0	0	0	1,162,032	1,162,032
0	0	0	17,883,409	17,883,409
<u>\$173,587</u>	<u>\$67,445</u>	<u>\$12,364,222</u>	<u>\$19,045,441</u>	<u>\$65,919,820</u>
\$422	\$0	\$0	\$0	\$175,391
0	0	0	0	55,992
25,922	0	0	51,579	933,298
2,448	0	0	409,862	461,658
11,345	0	0	0	3,364,532
0	20,272	0	0	20,272
0	0	0	12,045,000	12,045,000
0	0	0	6,539,000	16,539,000
<u>40,137</u>	<u>20,272</u>	<u>0</u>	<u>19,045,441</u>	<u>33,595,143</u>
0	0	12,364,222	0	12,364,222
133,450	0	0	0	133,450
0	0	0	0	1,640,604
0	0	0	0	266,192
0	30,000	0	0	30,000
0	0	0	0	43,584
0	0	0	0	108,342
0	17,173	0	0	17,738,283
<u>133,450</u>	<u>47,173</u>	<u>12,364,222</u>	<u>0</u>	<u>32,324,677</u>
<u>\$173,587</u>	<u>\$67,445</u>	<u>\$12,364,222</u>	<u>\$19,045,441</u>	<u>\$65,919,820</u>

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Clinton Massie Local School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 All Governmental Fund Types  
 For the Year Ended June 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Taxes	\$2,525,018	\$38,405	\$902,352	\$0	\$3,465,775
Intergovernmental	6,981,487	359,923	95,962	59,240	7,496,612
Investment	111,161	0	0	287,538	398,699
Tuition & Fees	164,759	0	0	0	164,759
Extracurricular Activities	0	121,383	0	0	121,383
Miscellaneous	262,476	45,714	0	0	308,190
Total Revenues	10,044,901	565,425	998,314	346,778	11,955,418
Expenditures:					
Current:					
Instruction:					
Regular	4,281,332	137,374	0	58,130	4,476,836
Special	537,964	146,527	0	0	684,491
Vocational	53,726	0	0	0	53,726
Other	184,953	0	0	0	184,953
Support Services:					
Pupils	527,922	27,892	0	0	555,814
Instructional Staff	581,747	91,907	0	0	673,654
Board of Education	16,252	0	0	0	16,252
Administration	750,084	3,274	0	0	753,358
Fiscal	231,366	481	11,780	0	243,627
Business	22,437	0	0	0	22,437
Operation & Maintenance of Plant	859,613	0	0	0	859,613
Pupil Transportation	573,129	0	0	0	573,129
Central	77	7,315	0	0	7,392
Operation of Non-Instructional Services	251	0	0	0	251
Extracurricular Activities	264,652	121,514	0	0	386,166
Capital Outlay	0	0	0	942,132	942,132
Debt Service:					
Principal Retirement	0	0	310,000	0	310,000
Interest & Fiscal Charges	0	0	65,925	0	65,925
Total Expenditures	8,885,505	536,284	387,705	1,000,262	10,809,756
Excess of Revenues Over (Under) Expenditures	1,159,396	29,141	610,609	(653,484)	1,145,662
Other Financing Sources (Uses):					
Proceeds of Bonds	0	0	10,000,000	0	10,000,000
Proceeds of Notes	0	0	0	6,555,507	6,555,507
Proceeds from Sale of Fixed Assets	5,621	0	0	0	5,621
Operating Transfers In	0	0	0	10,191,590	10,191,590
Operating Transfers Out	(191,590)	0	(10,000,000)	0	(10,191,590)
Total Other Financing Sources (Uses)	(185,969)	0	0	16,747,097	16,561,128
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	973,427	29,141	610,609	16,093,613	17,706,790
Fund Balance, Beginning of Year	1,436,345	73,661	551,423	11,613	2,073,042
Fund Balance, End of Year	\$2,409,772	\$102,802	\$1,162,032	\$16,105,226	\$19,779,832

See accompanying notes.

Clinton Massie Local School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 All Governmental Fund Types  
 For the Year Ended June 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$2,619,651	\$2,619,651	\$0	\$34,187	\$34,187	\$0
Intergovernmental	6,981,487	6,981,487	0	357,550	357,550	0
Investment	110,314	110,314	0	0	0	0
Tuition & Fees	148,945	148,945	0	0	0	0
Extracurricular Activities	0	0	0	122,126	122,126	0
Miscellaneous	238,923	238,923	0	45,237	45,237	0
<b>Total Revenues</b>	<b>10,099,320</b>	<b>10,099,320</b>	<b>0</b>	<b>559,100</b>	<b>559,100</b>	<b>0</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	4,504,885	4,504,885	0	144,438	144,438	0
Special	542,134	542,134	0	146,625	146,625	0
Vocational	54,897	54,897	0	0	0	0
Other	213,536	213,536	0	0	0	0
<b>Support Services:</b>						
Pupils	540,929	540,929	0	29,302	29,302	0
Instructional Staff	627,875	627,875	0	84,850	84,850	0
Board of Education	20,553	20,553	0	0	0	0
Administration	830,892	830,892	0	3,274	3,274	0
Fiscal	240,989	240,989	0	481	481	0
Business	22,941	22,941	0	0	0	0
Operation & Maintenance of Plant	955,341	955,341	0	0	0	0
Pupil Transportation	590,139	590,139	0	0	0	0
Central	762	762	0	7,978	7,978	0
Operation of Non-Instructional Services	251	251	0	0	0	0
Extracurricular Activities	267,702	267,702	0	133,439	133,439	0
Capital Outlay	0	0	0	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>9,413,826</b>	<b>9,413,826</b>	<b>0</b>	<b>550,387</b>	<b>550,387</b>	<b>0</b>
<b>Excess (Deficiency) of Revenues Over Under Expenditures</b>	<b>685,494</b>	<b>685,494</b>	<b>0</b>	<b>8,713</b>	<b>8,713</b>	<b>0</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds of Bonds	0	0	0	0	0	0
Proceeds of Notes	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	6,329	6,329	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(191,590)	(191,590)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(185,261)</b>	<b>(185,261)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>500,233</b>	<b>500,233</b>	<b>0</b>	<b>8,713</b>	<b>8,713</b>	<b>0</b>
<b>Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)</b>	<b>2,243,283</b>	<b>2,243,283</b>	<b>0</b>	<b>125,062</b>	<b>125,062</b>	<b>0</b>
<b>Fund Balance, End of Year</b>	<b>\$2,743,516</b>	<b>\$2,743,516</b>	<b>\$0</b>	<b>\$133,775</b>	<b>\$133,775</b>	<b>\$0</b>

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$845,286	\$845,286	\$0	\$0	\$0	\$0	\$3,499,124	\$3,499,124	\$0
95,962	95,962	0	59,240	59,240	0	7,494,239	7,494,239	0
0	0	0	287,538	287,538	0	397,852	397,852	0
0	0	0	0	0	0	148,945	148,945	0
0	0	0	0	0	0	122,126	122,126	0
0	0	0	0	0	0	284,160	284,160	0
941,248	941,248	0	346,778	346,778	0	11,946,446	11,946,446	0
0	0	0	77,836	77,836	0	4,727,159	4,727,159	0
0	0	0	0	0	0	688,759	688,759	0
0	0	0	0	0	0	54,897	54,897	0
0	0	0	0	0	0	213,536	213,536	0
0	0	0	0	0	0	570,231	570,231	0
0	0	0	0	0	0	712,725	712,725	0
0	0	0	0	0	0	20,553	20,553	0
0	0	0	0	0	0	834,166	834,166	0
11,780	11,780	0	0	0	0	253,250	253,250	0
0	0	0	0	0	0	22,941	22,941	0
0	0	0	5,350	5,350	0	960,691	960,691	0
0	0	0	0	0	0	590,139	590,139	0
0	0	0	0	0	0	8,740	8,740	0
0	0	0	0	0	0	251	251	0
0	0	0	0	0	0	401,141	401,141	0
0	0	0	2,255,894	2,255,894	0	2,255,894	2,255,894	0
310,000	310,000	0	0	0	0	310,000	310,000	0
65,925	65,925	0	0	0	0	65,925	65,925	0
387,705	387,705	0	2,339,080	2,339,080	0	12,690,998	12,690,998	0
553,543	553,543	0	(1,992,302)	(1,992,302)	0	(744,552)	(744,552)	0
10,000,000	10,000,000	0	0	0	0	10,000,000	10,000,000	0
0	0	0	16,555,507	16,555,507	0	16,555,507	16,555,507	0
0	0	0	0	0	0	6,329	6,329	0
0	0	0	191,590	191,590	0	191,590	191,590	0
0	0	0	0	0	0	(191,590)	(191,590)	0
10,000,000	10,000,000	0	16,747,097	16,747,097	0	26,561,836	26,561,836	0
10,553,543	10,553,543	0	14,754,795	14,754,795	0	25,817,284	25,817,284	0
521,850	521,850	0	31,319	31,319	0	2,921,514	2,921,514	0
\$11,075,393	\$11,075,393	\$0	\$14,786,114	\$14,786,114	\$0	\$28,738,798	\$28,738,798	\$0

Clinton Massie Local School District  
 Combined Statement of Revenues, Expenses  
 And Changes in Retained Earnings/Fund Balances  
 All Proprietary Fund Types and NonExpendable Trust Funds  
 For the Year Ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Revenues:			
Investment Revenue	\$0	\$2,461	\$2,461
Charges for Services	270,665	0	270,665
Miscellaneous Revenue	0	2,042	2,042
Total Operating Revenues	<u>270,665</u>	<u>4,503</u>	<u>275,168</u>
Operating Expenses:			
Salaries	149,850	0	149,850
Fringe Benefits	43,861	0	43,861
Purchased Services	1,053	0	1,053
Materials & Supplies	156,177	0	156,177
Depreciation	17,187	0	17,187
Other Operating Expenses	0	2,500	2,500
Total Operating Expenses	<u>368,128</u>	<u>2,500</u>	<u>370,628</u>
Operating Income (Loss)	<u>(97,463)</u>	<u>2,003</u>	<u>(95,460)</u>
Non-Operating Revenues (Expenses):			
Miscellaneous Revenue	14,340	0	14,340
Donated Commodities	34,421	0	34,421
Operating Grants - State & Local	3,996	0	3,996
Operating Grants - Federal	66,939	0	66,939
Total Non-Operating Revenues	<u>119,696</u>	<u>0</u>	<u>119,696</u>
Net Income	22,233	2,003	24,236
Retained Earnings/Fund Balance, Beginning of Year	<u>111,217</u>	<u>45,170</u>	<u>156,387</u>
Retained Earnings/Fund Balance, End of Year	<u>\$133,450</u>	<u>\$47,173</u>	<u>\$180,623</u>

See accompanying notes.



Clinton Massie Local School District  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and NonExpendable Trust Funds  
 For the Year Ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum only)
	Enterprise	Nonexpendable Trust	
Cash Flows from Operating Activities:			
Cash Received from Investment Earnings	\$0	\$2,462	\$2,462
Cash Received from Charges for Services	\$270,636	\$0	\$270,636
Cash Received from Miscellaneous Sources	0	2,542	2,542
Cash Payments for Personal Services	(198,263)	0	(198,263)
Cash Payments for Contract Services	(1,053)	0	(1,053)
Cash Payments for Supplies & Materials	(120,215)	0	(120,215)
Cash Payments for Other Expenses	0	(3,000)	(3,000)
Net Cash Provided (Used) by Operating Activities	<u>(48,895)</u>	<u>2,004</u>	<u>(46,891)</u>
Cash Flows from Non-Capital Financing Activities:			
Cash Received from Operating Grants	70,935	0	70,935
Other	14,367	0	14,367
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>85,302</u>	<u>0</u>	<u>85,302</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(42,985)	0	(42,985)
Net Cash Used for Capital and Related Financing Activities	<u>(42,985)</u>	<u>0</u>	<u>(42,985)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,578)	2,004	(4,574)
Cash and Cash Equivalents at Beginning of Year	28,735	45,049	73,784
Cash and Cash Equivalents at End of Year	<u>\$22,157</u>	<u>\$47,053</u>	<u>\$69,210</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$97,463)	\$2,003	(\$95,460)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	17,187	0	17,187
Donated Commodities Used	34,421	0	34,421
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivables	(29)	500	471
(Increase) Decrease in Accrued Interest	0	1	1
(Increase) Decrease in Materials & Supplies Inventory	280	0	280
Increase (Decrease) in Accounts Payable	422	(500)	(78)
Increase (Decrease) in Accrued Wages & Benefits	(4,333)	0	(4,333)
Increase (Decrease) in Compensated Absences Payable	(219)	0	(219)
Increase (Decrease) in Deferred Revenue	839	0	839
Net Cash Provided (Used) by Operating Activities	<u>(\$48,895)</u>	<u>\$2,004</u>	<u>(\$46,891)</u>
Reconciliation of Non-Expendable trust fund to balance sheet:			
Cash and cash equivalents - All fiduciary Funds		\$67,325	
Cash and cash equivalents - Agency Funds		<u>(20,272)</u>	
Cash and cash equivalents - Non-Expendable Trust Fund		<u>\$47,053</u>	

See accompanying notes.

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**CLINTON-MASSIE LOCAL SCHOOL DISTRICT, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

The Clinton-Massie Local School District (District) was originally organized in October of 1959. The District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The School District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's one instructional facility (high school, middle school, and elementary school) and one support facility (bus garage) staffed by 74 non-certificated, 113 certificated teaching personnel, and 9 administrative employees to provide service to 1,731 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. The Reporting Entity

For financial reporting purposes, the District's financial statements include all funds and account groups of the primary government (the District) based upon criteria set forth in GASB Statement 14. The primary government consists of all funds, departments, boards and agencies not legally separate from the District. The District considered potential component units for inclusion in the financial statements. Generally, component units are legally separate organizations for which the elected officials of the District would be financially accountable. The District would consider an organization to be a component unit if:

1. The District appoints a voting majority of the organization's governing body AND (a) is able to impose its will on that organization OR (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District; OR
2. The organization is fiscally dependent upon the District; OR
3. The nature of the relationship between the district and the organization is such that exclusion from the financial reporting entity would render the financial statements misleading.

The District includes no component units in the financial statements.

The District is not involved in the budgeting or management of Parent Teacher Organizations, volunteer associations, or booster clubs. The District is also not responsible for any debt and has no influence over the organizations or clubs.

The District is associated with organizations which are defined as jointly governed organizations. These organizations are Clinton County Consortium, Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Trust Plan, Hopewell Special Education Regional Resource Center, and the Miami Valley Educational Computer Association. These organizations are presented in Note 13 to the general purpose financial statements.

B. Basis of Presentation - Fund Accounting

The accounts of the District are maintained on the basis of fund and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund equity and other credits, revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the District:

Governmental Funds - Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except for those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

**General Fund**

The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds**

Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

**Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Ohio Law.

**Capital Projects Fund**

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds - Proprietary funds are used to account for the District's ongoing activities which are similar to those most often found in the private sector. The following is the District's proprietary fund type:

**Enterprise Funds**

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds - Fiduciary funds are used for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include non-expendable trust and agency funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities).

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

**General Fixed Assets Account Group**

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in proprietary funds and trust funds.

**General Long-Term Obligations Account Group**

This group of accounts is established to account for all long-term obligations of the District, except those accounted for in Proprietary Funds and Trusts Funds.

C. Measurement Focus/Basis of Accounting

*Measurement Focus:* Governmental fund types and expendable trust funds are accounted for on a spending, or "current financial resources," measurement focus. Governmental fund types and expendable trust funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources.

Proprietary fund types and nonexpendable trust funds are accounted for on a cost of services, or "economic resources," measurement focus. Proprietary fund type income statements represent increases and decreases in net total assets.

*Basis of Accounting:* The modified accrual basis of accounting is followed for governmental and agency funds. Under this basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue considered susceptible to accrual includes but is not limited to property taxes available for advance, interest, tuition, and state and federal grants. Property taxes measurable but not available for advance by the county auditor at year end are recorded as deferred revenue. Property taxes available for advance at year end are recognized as revenue. Expenditures are recognized in the period in which the related fund liabilities is incurred, except interest on long-term debt which is recorded when due.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 4). 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

D. Budgetary Data

*Budgetary Basis of Accounting:* The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budget basis and the GAAP basis are:

- (1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- (2) Expenditures are recorded when encumbered, or paid in cash (budget), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, which includes amendments to the original appropriation, for each fund type by expenditure function and revenue by source are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (non-GAAP Budgetary Basis). The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District is required by state statute to adopt an annual appropriated budget for all governmental fund types. The specific timetable is as follows:

1. Prior to January 15 of the preceding fiscal year, the Treasurer submits 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 expressed purpose of this budget document is to reflect the need for existing or increased tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Clinton County Budget Commission for tax rate determination.
3. By April 1, the Board of Education accepts by formal resolution, the tax rates as determined by the Clinton 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. 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 statement reflect the amounts set forth in the final Amended Certificate.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the Clinton County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds complete the year within the amount of their legally authorized appropriations.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

E. Encumbrances

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at fiscal year end appear on the combined balance sheet as a reserve of the fund balance on a GAAP Basis and for all funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

F. Cash and Investments

Cash received by the District is deposited in various bank accounts with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments. Under existing Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to certain trust funds and those funds individually authorized by Board resolution.

Except for nonparticipating investment contracts (repurchase agreements), investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts are reported at cost.

For purposes of the Statement of Cash Flows (GASB Statement No. 9), all highly liquid investments with a maturity of three months or less when acquired are considered to be cash equivalents and are included under the heading "Equity in pooled cash and investments."

G. Restricted Assets

Restricted assets in the general fund represent pooled cash and investments set aside to establish a budget stabilization reserve, allowed by law, and budget funds designated by the Board. A fund balance reserve and designation have also been established.



H. Inventory (Materials and Supplies)

The inventory of the Lunchroom Fund, the only enterprise fund, is valued at lower of cost (first-in, first-out method) or market and is determined by physical count. Inventory of the lunchroom fund consisted of donated food and purchased food held for resale and is expensed when used.

I. Fixed Assets and Depreciation

1. General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure. The District maintains a capitalization threshold of three-hundred dollars (\$300).

2. Proprietary Funds (Lunchroom fund only)

Property, plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>ASSET</u>	<u>LIFE</u>
Furniture, fixtures, and equipment	5 to 20 years

J. Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

The District's policies regarding compensated absences are determined by state laws and/or negotiated agreements. In summary, the policies are as follows:

	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
<u>VACATION</u>			
How earned	Not eligible	20 days at start of each contract year	10-20 days depending on length of service
Maximum accumulation	Not applicable	2-years	1-year
Vested	Not applicable	As earned	As earned
Termination entitlement	Not applicable	Unused balance upon termination	Unused balance upon termination
<u>SICK LEAVE</u>			
How earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)
Maximum Accumulation	200 days	220-248 days depending on contract	200 days
Vested	As earned	As earned	As earned
Termination entitlement	Per contract	Per policy	Per policy

For governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the respective governmental fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. Compensated absences of proprietary funds are recorded as an expense and liability of the respective proprietary fund.

K. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.

3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District had no interfund loans or advances at year end.

L. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated, in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

M. Fund Equity

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund equity reserves are established for encumbrances, property taxes, endowments and budgetary set-asides required under Ohio Law. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

N. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

O. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board of Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

### NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and investments."

State Statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies that are required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – Those monies that are not required for use within the current two-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Monies - 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.

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

State legislation permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporations, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectations 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the carrying amount of the District's deposits was \$4,515,499. The bank balance of deposits was \$4,612,014 and of the bank balance, \$326,612 was covered by federal depository insurance. The remaining bank balance of \$4,285,402 was covered by collateral held by third-party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end. CATEGORY 1 includes investments that are issued or registered or for which the securities are held by the District or its agent in the District's name. 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 department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year end are classified as follows:

<u>INVESTMENTS</u>	<u>Risk Category</u>	<u>Carrying Value/Fair Value</u>
U.S. Treasury Bond	1	\$10,000
Repurchase Agreement	3	1,982,978
U.S. Government Agencies	3	<u>24,184,534</u>
TOTALS		<u><u>26,177,512</u></u>

**NOTE 4 - PROPERTY TAXES**

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2001 were based, are as follows:

Tangible Personal--general and public utility	\$11,742,672
Public utility and real estate	<u>130,024,780</u>
Total Assessed property value	<u>\$141,767,452</u>

In 2002, real property taxes were levied in April on the assessed values as of January 1, 2001, the lien date. Assessed values are established by the Clinton County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in 1999. Tangible personal property tax is assessed on equipment and inventory held by businesses as of December 31, 2001. Tangible property is assessed at 25% of true value (as defined). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed to the District by the State.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20. If paid semi-annually, the first payment (at least 1/2 of amount billed) was due January 20 with the remainder due on June 20.

The Clinton County Auditor, the Warren County Auditor, and the Greene County Auditor remit portions of the taxes collected to all taxing districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal Property taxes in June and October.

Uncollected taxes outstanding intended to finance the current fiscal year and available for advance by the County Auditor at year end are recorded as receivables at June 30 and revenues for the current fiscal year. Uncollected taxes outstanding and not available to the District at year end are recorded as a receivable and deferred revenue. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

**NOTE 5 - FIXED ASSETS**

A summary of the General Fixed Assets Account Group is as follows:

	<u>7/1/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/02</u>
Land	\$ 8,800	\$111,105	\$ 0	\$119,905
Building and Building Improvements	7,086,730	0	0	7,086,730
Equipment	4,914,967	287,836	45,216	5,157,587
Total	<u>\$12,010,497</u>	<u>\$ 398,941</u>	<u>\$ 45,216</u>	<u>\$ 12,364,222</u>

A summary of the Proprietary Fund fixed assets at year end follows:

Equipment	\$278,928
Less Accumulated Depreciation	<u>(142,008)</u>
Net Fixed Assets	<u>\$136,920</u>

**NOTE 6 - CHANGES IN THE GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP**

During the year ended June 30, 2002, the following changes occurred in debt reported in the General Long-Term Obligations Account Group.

	Balance Beginning <u>of Year</u>	Net <u>Increase</u>	Net <u>Decrease</u>	Balance End <u>of Year</u>
Accrued Wages & Benefits	\$ 47,990	\$ 3,589	\$ 0	\$ 51,579
General Obligation Bonds	2,080,000	10,275,000	310,000	12,045,000
Bond Anticipation Note	0	6,539,000	0	6,539,000
Compensated Absences	419,315	0	9,453	409,862
Totals	<u>\$2,547,305</u>	<u>\$16,817,589</u>	<u>\$319,453</u>	<u>\$19,045,441</u>

**NOTE 7 - LONG-TERM DEBT**

All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, 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 General Long-Term Obligation Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. Interest payments are made in June and December of each year, principal payments are made in December only. The source of payment is derived from debt tax issue proceeds.

A. The following is a description of the District's bonds outstanding as of year end:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 7/1/01</u>	<u>Issued 2002</u>	<u>Retired 2002</u>	<u>Balance 6/30/02</u>
1979 Elementary/ Middle School	6.7261	1990	2011	\$295,000	\$ 0	\$90,000	\$205,000
1988 Building Addition	7.1983	1990	2003	1,785,000	0	220,000	1,565,000
2001 High School Building	4.9259	2002	2029	<u>0</u>	<u>10,275,000</u>	<u>0</u>	<u>10,275,000</u>
Totals				<u>\$2,080,000</u>	<u>\$10,275,000</u>	<u>\$310,000</u>	<u>\$12,045,000</u>

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

<u>Year Ending June 30</u>	<u>Principal on General Obligation Bonds</u>	<u>Interest on General Obligation Bonds</u>	<u>Total</u>
2003	780,000	537,500	1,317,500
2004	645,000	469,694	1,114,694
2005	590,000	444,638	1,034,638
2006	635,000	421,414	1,056,414
2007	337,347	558,337	895,684
Thereafter	<u>9,057,653</u>	<u>6,462,922</u>	<u>15,520,575</u>
Totals	<u>\$12,045,000</u>	<u>\$8,894,505</u>	<u>\$20,939,505</u>

C. Notes payable activity for the District at fiscal year-end was as follows:

	<u>Interest Rate</u>	<u>Balance 7/1/01</u>	<u>Issued 2002</u>	<u>Retired 2002</u>	<u>Balance 6/30/02</u>
School Improvement Bond Anticipation Note	2.07	\$0	\$6,539,000	\$0	\$6,539,000



**NOTE 8 – SHORT-TERM DEBT**

Short-term notes payable activity for the District at year-end was as follows:

	Maturity <u>Date</u>	Balance <u>7/1/01</u>	Additions <u>2002</u>	Deletions <u>2002</u>	Balance <u>6/30/02</u>
Bond Anticipation Note, 2.45%	8/8/02	\$0	\$10,000,000	\$0	\$10,000,000

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

A. School Employees Retirement System

The Clinton-Massie Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1998, 9.79 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District’s contributions for pension obligations to SERS for the fiscal year ended June 30, 2002, 2001, and 2000 were \$170,520, \$157,338, and \$148,182, respectively 48 percent has been contributed for fiscal year 2002 and 100 percent for fiscal year 2001 and 2000. \$88,176 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

The District pays retirement through deductions from foundation payments and at June 30, the District owed an obligation equal to six months deductions to SERS. Two months is presented as a fund liability with the remainder presented in the general long term account group.

B. State Teachers Retirement System

The Clinton-Massie Local School 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual salary and the Clinton-Massie Local School District is required to contribute 14%, 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percents for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal year ended June 30, 2002, 2001, and 2000 were \$669,672, \$625,692, \$578,148, respectively, 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal year 2001 and 2000. \$113,128 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

The District pays retirement through deductions from foundation payments and at June 30, the District owed an obligation equal to two months deductions to STRS which is presented as a fund liability.

#### **NOTE 10 - POST EMPLOYMENT BENEFITS**

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

The State Teacher 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 percent of covered payroll. The Retirement Board allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. The Health Care Reserve Allocation for the year ended June 30, 2002 will be 4.5% of covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.256 million at June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase from 8.45 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member’s pay, pro-rated for partial service credit. For the fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001 SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 11 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance/retained earnings 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. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

**Reconciliation of Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
From GAAP Basis to Budgetary Basis**

Governmental Fund Types _____	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund
GAAP Basis	\$973,427	\$29,141	\$610,609	\$16,093,613
Net Adjustment for Revenue Accruals	55,127	(6,325)	9,942,934	0
Net Adjustment for Expenditure Accruals	(63,705)	10,901	0	36,286
Adjustment for Encumbrances	<u>(464,616)</u>	<u>(25,004)</u>	<u>0</u>	<u>(1,375,104)</u>
Budgetary Basis	<u>\$500,233</u>	<u>\$8,713</u>	<u>\$10,553,543</u>	<u>\$14,754,795</u>

## **NOTE 12 - COMPLIANCE AND ACCOUNTABILITY**

State Statute requires all funds to have expenditures and encumbrances within approved appropriation limits. All funds of the District had expenditures and encumbrances within the approved appropriations.

## **NOTE 13 - CONTINGENT LIABILITIES**

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. Management is unable to estimate possible claims resulting from such audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District.

Litigation--There are currently no matters in litigation with the District as defendant.

## **NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

Clinton County Consortium, made up of Clinton-Massie Schools, East Clinton Schools, and the Clinton-Fayette-Highland Educational Service District, and CoreSource of Columbus have entered into an agreement to establish an employee welfare benefit plan which sets forth the procedure by which eligible employees of these participating employers can secure dental and life insurance. The monthly premiums are jointly paid by the employers and employees according to local, negotiated agreements and board policies. The district superintendents govern this consortium and CoreSource administers the payment of claims. Employers participating in this plan are political subdivisions of the State of Ohio. The plan qualifies as a governmental plan as defined by Section 3(32) of the Employee Retirement Income Security Act of 1974 (ERISA) and is therefore exempt from ERISA requirements. Financial information for the participating boards of education for the year ended June 30, 2001, are available in each district.

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust - The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative (EPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross Blue Shield or United Health care. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. In fiscal year 2001, Clinton-Massie Local School District contributed \$675,700 which represented 1.24 percent of total contributions to the Trust. Financial information can be obtained from Barbara Coriell, who serves as administrator, at EPC Benefits Office, 1831 Harshman Road, Dayton, OH 45424.

Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school district to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of Superintendents from the seventeen school districts plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents as well as three parents of handicapped children in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and Federal and State grants.

Miami Valley Educational Computer Association (MVECA) is the computer consortium or site that is used by the school district. MVECA is an association of 25 public school districts in a geographic area determined by the Ohio Department of Education. The Greene County Vocational School acts as the fiscal agent for the association. The purpose of the association is to develop and employ a computer system efficiently and effectively for the needs of the member boards of education. All districts in the association are required to pay fee and assessments as established by the constitution. Each district has representation on the Association Assembly by the superintendent and the treasurer. The Board of Directors are elected from this group. The Board of Directors approve all financial obligations entered into by the fiscal agent on behalf of the association. Payments to MVECA for services to Clinton-Massie are primarily made from the General (Governmental) Fund and totaled \$9,127.89 for this fiscal year. Financial information relating to MVECA for the year ended June 30, 2001, can be obtained by contacting the consortium executive director, Norma K. Stewart, Ph.D., (937) 767-1468.

**NOTE 15 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2002, the District contracted with Bacon and Associates for property and general liability insurance.

Professional liability is protected by Nationwide Insurance Company with \$1,000,000 each occurrence, \$3,000,000 aggregate limit.

Vehicles are covered by Nationwide Insurance Company with \$100 deductible for comprehensive and \$500 deductible for collision.

Public officials bond insurance is provided by Bacon and Associates. The Treasurer and Accounting Clerk are covered by bonds in the amounts of \$15,000 and \$5,000, respectively. Student Activity Fund bond coverage is \$5,000.

During 2002, the District elected to provide employee medical/surgical benefits by Anthem PPO through the EPC Benefit Trust Plan, a Dayton based organization.

## NOTE 16 - 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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

## NOTE 17 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity (cash-basis) was as follows, the budget reserve designation by the Board was \$108,342.

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, Beginning of Year	\$0	\$0	\$ 43,584
Required Set-Aside	200,172	200,172	0
Offset Credits	0	0	0
Qualifying Expenditures	<u>200,172</u>	<u>200,172</u>	<u>0</u>
Balance, End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$ 43,584</u>

Expenditures for textbook activity during the year totaled \$293,817, which exceeded the amount required for the set-aside. \$93,645 in excess expenditures can be carried forward to future years.

Expenditures and offsets for capital activity during the year totaled \$281,750 and \$191,590, respectively, which exceeded the amount required for the set-aside.

## **NOTE 18 – SUBSEQUENT EVENTS**

On July 16, 2001, the District accepted the master plan for the Ohio School Facilities Commission Expedited Local Partnership Program. Under the agreement, the District was put on a list to possibly receive State monies to assist in funding 74% of a building project. The project would include renovating and adding to the elementary, middle school and current high school and would include the building of a new high school. A tax levy was passed by the District and debt was acquired in bonds and notes for the local share which is 26% of the project costs.

Currently, the planning stage for the new high school is underway and is going to be built with District's local share. The District will need additional funding for the high school project and is considering borrowing "Certificates of Participation" to cover the building expenses, with the intention to re-pay this additional debt with their anticipated State monies. However, there is no guarantee that the District will receive this State funding.

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**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550	\$0	\$35,259	\$0	\$34,420
National School Breakfast Program	05-PU-02	10.553	6,861	----	6,861	----
National School Lunch Program	LL-P4-01	10.555	8,810	----	8,810	----
	LL-P4-02		51,268	----	51,268	----
Total Child Nutrition Cluster			60,078	0	60,078	0
<b>Total U.S. Department of Agriculture</b>			<b>66,939</b>	<b>35,259</b>	<b>66,939</b>	<b>34,420</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Education Consolidation and Improvement Act						
Title I - FY 01	C1-S1-01	84.010	(7,610)	----	21,708	----
Title I - FY 01 Carryover	C1-S1-O1-C	84.010	7,610	----	7,610	----
Title I - FY 02	C1-S1-02	84.010	136,302	----	117,307	----
Total Title I			136,302	0	146,625	0
Special Education Cluster:						
Special Education Grants to States						
Title VI B - FY 02	6B-SF-02	84.027	99,185	----	84,566	----
Title VI B - FY 01	6B-SF-01	84.027	----	----	10,977	----
Educational Handicapped Preschool						
Preschool Subsidy - FY 02	PG-S1-02	84.173	3,274	----	3,274	----
Total Special Education Cluster			102,459	0	98,817	0
Drug Free Schools						
Drug Free Education - Subsidy - FY 02	DR-S1-02	84.186	6,490	----	5,488	----
Total Drug Free School Grants			6,490	0	5,488	0
Eisenhower Math & Science						
Math & Science Grant - FY 02	MS-S1-02	84.281	8,461	----	8,461	----
Total Math & Science Grants			8,461	0	8,461	0
Innovative Educational Program Strategies						
Educational Program Strategies	C2-S1-02	84.298	8,553	----	8,553	----
Total Innovative Educational Program			8,553	0	8,553	0
Technology Literacy Challenge Fund						
Virtual Learning Grant	TF-VL-00	84.318	9,000	----	9,000	----
Total Technology Literacy Challenge			9,000	0	9,000	0
Assistive Technology Infusion Project						
School Renovation, IDEA and Technology	AT-S1-02	84.352A	9,270	----	804	----
Total Assistive Technology Infusion Grant			9,270	0	804	0
Additional Programs:						
Class Size Reduction Subsidy - FY 02	CR-S1-02	84.340	40,486	----	34,224	----
Class Size Reduction Subsidy - FY 01	CR-S1-01	84.340	----	----	4,313	----
Class Size Reduction Subsidy - FY 00	CR-S1-00	84.340	----	----	150	----
Total Additional Programs			40,486	0	38,687	0
<b>Total Department of Education</b>			<b>321,021</b>	<b>0</b>	<b>316,435</b>	<b>0</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$387,960</b>	<b>\$35,259</b>	<b>\$383,374</b>	<b>\$34,420</b>

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

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

Clinton-Massie Local School District  
Clinton County  
2556 Lebanon Road  
Clarksville, Ohio 45113

To the Board of Education:

We have audited the financial statements of the Clinton-Massie Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated January 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, 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 10, 2003.

Clinton-Massie Local School District  
Clinton County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the District's Board of Education, management, 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

January 10, 2003



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

Clinton-Massie Local School District  
Clinton County  
2556 Lebanon Road  
Clarksville, Ohio 45113

To the Board of Education:

**Compliance**

We have audited the compliance of the Clinton-Massie Local School District, Clinton 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 each of its major federal programs for the year ended June 30, 2002. 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 programs are 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 programs for the year ended June 30, 2002.

**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.

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 District's Board of Education, management, 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.



**Jim Petro**  
Auditor of State

January 10, 2003

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2002**

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

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

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

None

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2003**