



**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

SINGLE AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

East Clinton Local School District
Clinton County
97 College Street
Lees Creek, Ohio 45138

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the East Clinton Local School District, Clinton County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, 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 generally accepted auditing standards 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 East Clinton Local School District, Clinton County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2000 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.

Our audit was performed for the purpose of forming 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 purposes of 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. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

February 29, 2000

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*East Clinton Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$47,953	\$138,823	\$358,319	\$1,730,052
Cash & Cash Equivalents With Fiscal Agents	0	0	2,654	0
Receivables:				
Taxes	2,422,411	52,039	545,697	68,839
Accounts	1,164	453	0	0
Accrued Interest	54	0	0	0
Interfund Receivable	3,000	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	46,448	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for the Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$2,521,030</u>	<u>\$191,315</u>	<u>\$906,670</u>	<u>\$1,798,891</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$461	\$402,403	\$0	\$0	\$2,678,011
0	0	0	0	2,654
0	0	0	0	3,088,986
2	0	0	0	1,619
0	4,339	0	0	4,393
0	0	0	0	3,000
7,541	0	0	0	7,541
692	0	0	0	692
0	0	0	0	46,448
157,650	0	21,870,787	0	22,028,437
0	0	0	391,500	391,500
0	0	0	3,778,755	3,778,755
<u>\$166,346</u>	<u>\$406,742</u>	<u>\$21,870,787</u>	<u>\$4,170,255</u>	<u>\$32,032,036</u>

(continued)

*East Clinton Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities.</u>				
<u>Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$37,181	\$56	\$0	\$85,743
Contracts Payable	0	0	0	264,188
Accrued Wages and Benefits	667,737	32,194	0	0
Compensated Absences Payable	14,937	0	0	0
Interfund Payable	0	0	0	0
Intergovernmental Payable	161,088	4,909	0	0
Deferred Revenue	2,242,918	48,818	512,516	62,397
Undistributed Monies	0	0	0	0
Matured Interest Payable	0	0	2,654	0
Accrued Interest Payable	588	0	0	0
Notes Payable	175,200	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,299,649	85,977	515,170	412,328
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	17,136	13,057	0	987,725
Reserved for Contributions	0	0	0	0
Reserved for Budget Stabilization	29,023	0	0	0
Reserved for Property Taxes	179,493	3,221	33,181	6,442
Reserved for School Bus Purchases	17,425	0	0	0
Unreserved:				
Undesignated (Deficit)	(1,021,696)	89,060	358,319	392,396
Total Fund Equity (Deficit) and Other Credits	(778,619)	105,338	391,500	1,386,563
Total Liabilities, Fund Equity and Other Credits	\$2,521,030	\$191,315	\$906,670	\$1,798,891

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$948	\$0	\$0	\$0	\$123,928
0	0	0	0	264,188
20,078	3,239	0	0	723,248
4,917	0	0	281,986	301,840
3,000	0	0	0	3,000
10,212	500	0	73,269	249,978
4,900	0	0	0	2,871,549
0	36,898	0	0	36,898
0	0	0	0	2,654
0	0	0	0	588
0	0	0	0	175,200
0	0	0	3,815,000	3,815,000
<u>44,055</u>	<u>40,637</u>	<u>0</u>	<u>4,170,255</u>	<u>8,568,071</u>
0	0	21,870,787	0	21,870,787
162,562	0	0	0	162,562
(40,271)	0	0	0	(40,271)
0	0	0	0	1,017,918
0	311,593	0	0	311,593
0	0	0	0	29,023
0	0	0	0	222,337
0	0	0	0	17,425
0	54,512	0	0	(127,409)
<u>122,291</u>	<u>366,105</u>	<u>21,870,787</u>	<u>0</u>	<u>23,463,965</u>
<u>\$166,346</u>	<u>\$406,742</u>	<u>\$21,870,787</u>	<u>\$4,170,255</u>	<u>\$32,032,036</u>

East Clinton Local School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Property Taxes	\$1,914,406	\$39,038	\$443,040	\$147,253	\$0	\$2,543,737
Intergovernmental	4,903,179	326,989	40,805	2,115,864	0	7,386,837
Interest	47,774	0	0	83,432	1,806	133,012
Tuition and Fees	21,019	0	0	0	0	21,019
Rent	153	0	0	0	0	153
Extracurricular Activities	0	50,473	0	0	0	50,473
Gifts and Donations	244	0	0	0	0	244
Miscellaneous	13,027	56,335	0	0	144	69,506
Total Revenues	<u>6,899,802</u>	<u>472,835</u>	<u>483,845</u>	<u>2,346,549</u>	<u>1,950</u>	<u>10,204,981</u>
Expenditures:						
Current:						
Instruction:						
Regular	3,470,737	39,838	0	0	0	3,510,575
Special	402,998	217,746	0	0	0	620,744
Vocational	91,862	18,386	0	0	0	110,248
Other	27,842	0	0	0	0	27,842
Support Services:						
Pupils	270,555	13,844	0	0	0	284,399
Instructional Staff	386,359	20,731	0	0	0	407,090
Board of Education	20,622	0	0	0	0	20,622
Administration	775,393	78,279	0	0	1,695	855,367
Fiscal	168,699	1,203	11,983	0	0	181,885
Business	8,250	0	0	0	146	8,396
Operation and Maintenance of Plant	846,320	0	0	0	0	846,320
Pupil Transportation	656,129	0	0	0	0	656,129
Central	13,904	5,000	0	0	0	18,904
Extracurricular Activities	128,672	50,058	0	0	0	178,730
Capital Outlay	4,200	0	0	2,424,083	0	2,428,283
Debt Service:						
Principal Retirement	0	0	165,000	0	0	165,000
Interest and Fiscal Charges	588	0	252,075	0	0	252,663
Total Expenditures	<u>7,273,130</u>	<u>445,085</u>	<u>429,058</u>	<u>2,424,083</u>	<u>1,841</u>	<u>10,573,197</u>
Excess of Revenues Over (Under) Expenditures	(373,328)	27,750	54,787	(77,534)	109	(368,216)
Other Financing Sources:						
Proceeds from Sale of Fixed Assets	5,836	0	0	0	0	5,836
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(367,492)	27,750	54,787	(77,534)	109	(362,380)
Fund Balances (Deficit) at Beginning of Year	<u>(411,127)</u>	<u>77,588</u>	<u>336,713</u>	<u>1,464,097</u>	<u>35,965</u>	<u>1,503,236</u>
Fund Balances (Deficit) at End of Year	<u>(\$778,619)</u>	<u>\$105,338</u>	<u>\$391,500</u>	<u>\$1,386,563</u>	<u>\$36,074</u>	<u>\$1,140,856</u>

See accompanying notes to the general purpose financial statements

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*East Clinton Local School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 1999*

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
Property Taxes	\$1,848,509	\$1,848,509	\$0	\$38,516	\$38,516	\$0
Intergovernmental	4,905,129	4,905,129	0	327,021	326,989	(32)
Interest	46,712	51,340	4,628	0	0	0
Tuition and Fees	21,121	21,349	228	0	0	0
Rent	153	153	0	0	0	0
Extracurricular Activities	0	0	0	50,489	50,489	0
Gifts and Donations	244	244	0	0	0	0
Miscellaneous	11,133	11,753	620	55,439	56,549	1,110
Total Revenues	6,833,001	6,838,477	5,476	471,465	472,543	1,078
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	3,432,262	3,424,276	7,986	42,039	39,838	2,201
Special	398,545	397,203	1,342	234,973	215,146	19,827
Vocational	92,775	92,763	12	18,386	18,386	0
Other	28,710	28,709	1	0	0	0
Support Services:						
Pupils	270,693	270,318	375	14,542	13,844	698
Instructional Staff	394,901	392,193	2,708	28,082	22,869	5,213
Board of Education	20,690	20,675	15	0	0	0
Administration	779,448	773,669	5,779	90,871	78,586	12,285
Fiscal	168,045	167,854	191	2,000	1,204	796
Business	7,685	7,570	115	0	0	0
Operation and Maintenance of Plant	833,469	823,144	10,325	0	0	0
Pupil Transportation	681,879	674,494	7,385	0	0	0
Central	13,915	13,904	11	5,700	5,000	700
Extracurricular Activities	128,645	128,528	117	61,435	61,246	189
Capital Outlay	4,200	4,200	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	7,255,862	7,219,500	36,362	498,028	456,119	41,909
Excess of Revenues Over (Under) Expenditures	(422,861)	(381,023)	41,838	(26,563)	16,424	42,987
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Long-Term Notes	175,200	175,200	0	0	0	0
Proceeds from the Sale of Fixed Assets	5,836	5,836	0	0	0	0
Refund of Prior Year Expenditures	1,659	1,659	0	0	0	0
Advances Out	(3,000)	(3,000)	0	0	0	0
Total Other Financing Sources (Uses)	179,695	179,695	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(243,166)	(201,328)	41,838	(26,563)	16,424	42,987
Fund Balances at Beginning of Year	156,144	156,144	0	102,042	102,042	0
Prior Year Encumbrances Appropriated	120,639	120,639	0	7,271	7,271	0
Fund Balances at End of Year	\$33,617	\$75,455	\$41,838	\$82,750	\$125,737	\$42,987

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$437,660	\$437,660	\$0	\$140,811	\$140,811	\$0	\$0	\$0	\$0	\$2,465,496	\$2,465,496	\$0
40,804	40,804	0	2,115,864	2,115,864	0	0	0	0	7,388,818	7,388,786	(32)
0	0	0	78,428	83,432	5,004	2,297	2,435	138	127,437	137,207	9,770
0	0	0	0	0	0	0	0	0	21,121	21,349	228
0	0	0	0	0	0	0	0	0	153	153	0
0	0	0	0	0	0	0	0	0	50,489	50,489	0
0	0	0	0	0	0	0	0	0	244	244	0
0	0	0	0	0	0	144	144	0	66,716	68,446	1,730
<u>478,464</u>	<u>478,464</u>	<u>0</u>	<u>2,335,103</u>	<u>2,340,107</u>	<u>5,004</u>	<u>2,441</u>	<u>2,579</u>	<u>138</u>	<u>10,120,474</u>	<u>10,132,170</u>	<u>11,696</u>
0	0	0	221,690	168,241	53,449	0	0	0	3,695,991	3,632,355	63,636
0	0	0	0	0	0	0	0	0	633,518	612,349	21,169
0	0	0	0	0	0	0	0	0	111,161	111,149	12
0	0	0	0	0	0	0	0	0	28,710	28,709	1
0	0	0	0	5,305	(5,305)	0	0	0	285,235	289,467	(4,232)
0	0	0	24,030	3,195	20,835	0	0	0	447,013	418,257	28,756
0	0	0	0	0	0	0	0	0	20,690	20,675	15
0	0	0	0	902	(902)	2,000	1,695	305	872,319	854,852	17,467
14,790	11,983	2,807	4,500	4,447	53	0	0	0	189,335	185,488	3,847
0	0	0	0	0	0	146	146	0	7,831	7,716	115
0	0	0	549,944	425,151	124,793	0	0	0	1,383,413	1,248,295	135,118
0	0	0	0	0	0	0	0	0	681,879	674,494	7,385
0	0	0	0	0	0	0	0	0	19,615	18,904	711
0	0	0	0	0	0	0	0	0	190,080	189,774	306
0	0	0	3,306,123	2,933,421	372,702	0	0	0	3,310,323	2,937,621	372,702
165,000	165,000	0	0	0	0	0	0	0	165,000	165,000	0
252,075	252,075	0	0	0	0	0	0	0	252,075	252,075	0
<u>431,865</u>	<u>429,058</u>	<u>2,807</u>	<u>4,106,287</u>	<u>3,540,662</u>	<u>565,625</u>	<u>2,146</u>	<u>1,841</u>	<u>305</u>	<u>12,294,188</u>	<u>11,647,180</u>	<u>647,008</u>
<u>46,599</u>	<u>49,406</u>	<u>2,807</u>	<u>(1,771,184)</u>	<u>(1,200,555)</u>	<u>570,629</u>	<u>295</u>	<u>738</u>	<u>443</u>	<u>(2,173,714)</u>	<u>(1,515,010)</u>	<u>658,704</u>
0	0	0	0	0	0	0	0	0	175,200	175,200	0
0	0	0	0	0	0	0	0	0	5,836	5,836	0
0	0	0	0	0	0	0	0	0	1,659	1,659	0
0	0	0	0	0	0	0	0	0	(3,000)	(3,000)	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>179,695</u>	<u>179,695</u>	<u>0</u>
46,599	49,406	2,807	(1,771,184)	(1,200,555)	570,629	295	738	443	(1,994,019)	(1,335,315)	658,704
308,913	308,913	0	323,068	323,068	0	35,326	35,326	0	925,493	925,493	0
0	0	0	1,538,337	1,538,337	0	0	0	0	1,666,247	1,666,247	0
<u>\$355,512</u>	<u>\$358,319</u>	<u>\$2,807</u>	<u>\$90,221</u>	<u>\$660,850</u>	<u>\$570,629</u>	<u>\$35,621</u>	<u>\$36,064</u>	<u>\$443</u>	<u>\$597,721</u>	<u>\$1,256,425</u>	<u>\$658,704</u>

East Clinton Local School District
Statement of Revenues,
Expenses and Changes in Fund Equity/Fund Balance
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<u>Operating Revenues:</u>			
Sales	\$192,326	\$0	\$192,326
Interest	0	19,990	19,990
Total Operating Revenues	192,326	19,990	212,316
<u>Operating Expenses:</u>			
Salaries	109,843	21,053	130,896
Fringe Benefits	39,396	2,947	42,343
Purchased Services	3,315	1,198	4,513
Materials and Supplies	3,910	4,751	8,661
Cost of Sales	146,264	0	146,264
Depreciation	12,914	0	12,914
Other	0	500	500
Total Operating Expenses	315,642	30,449	346,091
Operating Loss	(123,316)	(10,459)	(133,775)
<u>Non-Operating Revenues:</u>			
Federal Donated Commodities	25,989	0	25,989
Federal and State Subsidies	74,264	0	74,264
Total Non-Operating Revenues	100,253	0	100,253
Net Loss	(23,063)	(10,459)	(33,522)
Retained Earnings (Deficit)/Fund Balance at Beginning of Year	(17,208)	340,490	323,282
Retained Earnings(Deficit)Fund Balance at End of Year	(40,271)	330,031	289,760
Contributed Capital at Beginning of Year	74,142	0	74,142
Capital Contributed from Other Funds	88,420	0	88,420
Contributed Capital at End of Year	162,562	0	162,562
Total Fund Equity at End of Year	\$122,291	\$330,031	\$452,322

See accompanying notes to the general purpose financial statements

*East Clinton Local School District
Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 1999*

	Enterprise Fund			Nonexpendable Trust Fund			(Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>									
Sales	\$192,326	\$192,326	\$0	\$0	\$0	\$0	\$192,326	\$192,326	\$0
Federal and State Subsidies	74,264	74,264	0	0	0	0	74,264	74,264	0
Interest	0	0	0	20,546	20,771	225	20,546	20,771	225
Total Revenues	<u>266,590</u>	<u>266,590</u>	<u>0</u>	<u>20,546</u>	<u>20,771</u>	<u>225</u>	<u>287,136</u>	<u>287,361</u>	<u>225</u>
<u>Expenses:</u>									
Salaries	110,100	110,080	20	21,052	20,989	63	131,152	131,069	83
Fringe Benefits	39,965	39,949	16	3,764	2,938	826	43,729	42,887	842
Purchased Services	3,405	3,403	2	1,200	1,198	2	4,605	4,601	4
Materials and Supplies	123,778	123,778	0	6,325	5,791	534	130,103	129,569	534
Capital Outlay	0	0	0	601	601	0	601	601	0
Other	0	0	0	500	500	0	500	500	0
Total Expenses	<u>277,248</u>	<u>277,210</u>	<u>38</u>	<u>33,442</u>	<u>32,017</u>	<u>1,425</u>	<u>310,690</u>	<u>309,227</u>	<u>1,463</u>
Excess of Revenues Over (Under) Expenses	(10,658)	(10,620)	38	(12,896)	(11,246)	1,650	(23,554)	(21,866)	1,688
Advances In	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>3,000</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses and Advances	(7,658)	(7,620)	38	(12,896)	(11,246)	1,650	(20,554)	(18,866)	1,688
Fund Equity at Beginning of Year	<u>8,081</u>	<u>8,081</u>	<u>0</u>	<u>340,685</u>	<u>340,685</u>	<u>0</u>	<u>348,766</u>	<u>348,766</u>	<u>0</u>
Fund Equity at End of Year	<u>\$423</u>	<u>\$461</u>	<u>\$38</u>	<u>\$327,789</u>	<u>\$329,439</u>	<u>\$1,650</u>	<u>\$328,212</u>	<u>\$329,900</u>	<u>\$1,688</u>

See accompanying notes to the general purpose financial statements

*East Clinton Local School District
Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 1999*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$192,326	\$0	\$192,326
Cash Payments to Suppliers for Goods and Services	(127,181)	(7,590)	(134,771)
Cash Payments to Employees for Services	(110,080)	(20,989)	(131,069)
Cash Payments for Employee Benefits	(39,949)	(3,438)	(43,387)
Net Cash Used for Operating Activities	(84,884)	(32,017)	(116,901)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	74,264	0	74,264
Short-Term Loans from Other Funds	3,000	0	3,000
Net Cash Provided by Noncapital Financing Activities	77,264	0	77,264
<u>Cash Flows from Investing Activities:</u>			
Interest on Investments	0	20,771	20,771
Net Decrease in Cash and Cash Equivalents	(7,620)	(11,246)	(18,866)
Cash and Cash Equivalents at Beginning of Year	8,081	340,686	348,767
Cash and Cash Equivalents at End of Year	\$461	\$329,440	\$329,901
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>			
Operating Loss	(\$123,316)	(\$10,459)	(\$133,775)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities</u>			
Depreciation	12,914	0	12,914
Donated Commodities Used During Year	27,459	0	27,459
Interest Received by Nonexpendable Trust	0	(20,771)	(20,771)
<u>Changes in Assets and Liabilities:</u>			
Increase in Accounts Receivable	(2)	0	(2)
Decrease in Accrued Interest Receivable	0	781	781
Increase in Materials and Supplies Inventory	(263)	0	(263)
Increase in Inventory Held for Resale	(92)	0	(92)
Increase (Decrease) in Accounts Payable	676	(1,641)	(965)
Increase in Accrued Wages and Benefits	7	64	71
Decrease in Compensated Absences Payable	(196)	0	(196)
Increase (Decrease) in Intergovernmental Payable	(601)	9	(592)
Total Adjustments	39,902	(21,558)	18,344
Net Cash Used for Operating Activities	(\$83,414)	(\$32,017)	(\$115,431)

Reconciliation of Nonexpendable Trust Fund to Balance Sheet

Cash and Cash Equivalents - All Fiduciary Funds	\$402,403
Cash and Cash Equivalents - Agency Funds	(72,963)
Cash and Cash Equivalents - Nonexpendable Trust Fund	\$329,440

Non-Cash Transactions: The general fund purchased assets in the amount of \$88,420 for the food services enterprise fund

See accompanying notes to the general purpose financial statements

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

East Clinton Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District.

The Board controls the School District's four instructional support facilities staffed by 71 non-certified, 102 teaching personnel and 7 administrative employees providing education to 1,548 students.

Reporting Entity

The reporting entity is composed of the primary government which consists of all funds, departments, boards and agencies that are not legally separate from the School District. For East Clinton Local School District, this includes general operations, food service, and student related activities of the School District.

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

Entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District. These entities include the Boosters Club, Parent Teacher Organizations, and Alumni Associations.

The School District is associated with seven organizations, one of which is defined as a joint venture, five as jointly governed organizations, and one as an insurance purchasing pool. These organizations are the, Clinton County Schools Cooperative, Miami Valley Educational Computer Association (MVECA), Hopewell Special Education Regional Resource Center (Hopewell), Great Oaks Institute of Technology and Career Development, Kenton Trace League, the Southwestern Ohio Educational Purchasing Council (SOEPC), and the Southwestern Ohio Educational Purchasing Council Workers's Compensation Group Rating Plan. These organizations are presented in Notes 15, 16 and 17 to the general purpose financial statements.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of East Clinton Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

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

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure 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 obligation principal, interest, and related costs.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds - The capital projects funds are 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 or trust funds).

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund types:

Enterprise Funds - The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (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 where it has been 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 Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, nonexpendable trust and agency funds. Expendable trust funds account for resources, including both principal and earnings, which must be expended according to the provision of the trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, investment earnings, tuition, student fees and charges for services.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred 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. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and non-expendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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 is at the object level within each function. Any budgetary modifications at this level 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.

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 (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Clinton 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 School 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, 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 the level of control. 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.

The Board 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. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final 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.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

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

During fiscal year 1999, the School District's investments were limited to repurchase agreements, treasury notes and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$47,774, which includes \$39,544 assigned from other School District funds. The capital projects funds, expendable trust fund and nonexpendable trust fund also received interest in the amounts of \$83,432, \$1,806 and \$19,990, respectively.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and supplies and are expensed when used.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets, as applicable. Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund is computed using the straight-line method over an estimated useful life of five to twenty years.

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Program

Non-Reimbursable Grants

Special Revenue Funds

Disadvantaged Pupil Impact Aid
Local Professional Development
Education Management Information Systems
Title I
Title VI
Title VI-B
Drug Free Schools

Capital Projects

School Net Plus
Classroom Facilities

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
Government Donated Commodities

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and entitlements received in governmental funds amounted to 72.8 percent of governmental fund revenue during the 1999 fiscal year.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. 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 remainder is reported in the general long-term obligations account group. In proprietary fund, the entire amount of compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension obligations that will be paid from governmental funds are reported as a liability in the general long-term obligation account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have used current available financial resources. Bonds are recognized as a liability in the general long-term obligations account group until due.

Long-term obligations financed by the proprietary fund are reported as liabilities in the appropriate proprietary funds.

J. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions signifies the legal restriction on the use of principal.

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (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 cash flows 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.

NOTE 3 - ACCOUNTABILITY

Fund balances at June 30, 1999, included the following individual fund deficits:

General Fund	\$778,619
Special Revenue Fund	
Title I	30,705

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 3 - ACCOUNTABILITY (Continued)

The deficits in these funds are due to adjustments for accrued liabilities, and the timing of grant awards. The general fund is liable for the deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is 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, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis)-Proprietary Fund Type and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures
Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$367,492)	\$27,750	\$54,787	(\$77,534)	\$109
Adjustments:					
Revenue Accruals	(59,666)	(292)	(5,381)	(6,442)	629
Expenditure Accruals	72,576	2,052	0	(47,377)	0
Encumbrances	(18,946)	(13,086)	0	(1,069,202)	0
Advances	(3,000)	0	0	0	0
Note Proceeds	175,200	0	0	0	0
Budget Basis	<u>(\$201,328)</u>	<u>\$16,424</u>	<u>\$49,406</u>	<u>(\$1,200,555)</u>	<u>\$738</u>

Net Loss / Excess of Revenues Under Expenses
Proprietary Fund Type and Nonexpendable Trust Fund

	Enterprise	Nonexpendable Trust
GAAP Basis	(\$23,063)	(\$10,459)
Adjustments:		
Revenue Accruals	0	781
Expense Accruals	1,639	632
Encumbrances	(2,110)	(2,200)
Depreciation Expense	12,914	0
Budget Basis	<u>(\$10,620)</u>	<u>(\$11,246)</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Interim monies 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 the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty - five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, 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 the purchase unless matched to a specific obligation or debt of the School 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.

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

Deposits: At year-end, the carrying amount of the School District's deposits was \$241,002 and the bank balance was \$293,049. Of the bank balance:

1. \$188,205 was covered by federal depository insurance; and
2. \$104,844 was uninsured and uncollateralized. Although all statutory requirements for the deposit of the money had been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

	Category 2	Category 3	Carrying/Fair Value
U.S. Government Securities	\$1,717,958	\$0	\$1,717,958
Repurchase Agreements		768,153	768,153
Total	\$1,717,958	\$768,153	\$2,486,111

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits or investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$2,727,113	\$0
Investments:		
U.S. Government Securities	(1,717,958)	1,717,958
Repurchase Agreement	(768,153)	768,153
GASB Statement No. 3	\$241,002	\$2,486,111

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which the fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$66,919,960	72.78%	\$68,316,710	76.00%
Public Utility	7,389,250	8.04%	8,338,670	9.28%
Tangible Personal Property	<u>17,640,866</u>	<u>19.18%</u>	<u>13,236,430</u>	<u>14.72%</u>
Total Assessed Value	<u>\$91,950,076</u>	<u>100.00%</u>	<u>\$89,891,810</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.15		\$35.15	

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current year guarantee of federal funds. A summary of the principal items of receivables follows:

General Fund:	Amounts
Taxes	\$2,422,411
Accounts	1,164
Interest	54
Special Revenue Funds:	
Taxes	52,039
Accounts	453
Debt Service Fund:	
Taxes	545,697
Capital Projects Fund:	
Taxes	68,839
Nonexpendable Trust Fund:	
Accrued Interest	4,339

NOTE 8 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$188,508
Less Accumulated Depreciation	<u>(30,858)</u>
Net Fixed Assets	<u><u>\$157,650</u></u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 8 - FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at June 30, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 1999</u>
Land	\$302,051	\$0	\$0	\$302,051
Buildings and Improvements	2,599,395	0	0	2,599,395
Furniture, Fixtures and Equipment	1,163,306	239,451	0	1,402,757
Vehicles	903,914	126,994	54,165	976,743
Improvements Other than Building	128,319	0	0	128,319
Textbooks & Library Books	463,089	0	0	463,089
Construction in Progress	14,633,781	1,364,652	0	15,998,433
Totals	\$20,193,855	\$1,731,097	\$54,165	\$21,870,787

Construction in Progress - The East Clinton Local School District is in the process of building three new facilities and remodeling one facility in conjunction with the State of Ohio. The East Clinton Local School District passed a \$3.8 million bond levy and the State of Ohio is contributing \$15.6 million under the Building Assistance Program to construct these facilities. At June 30, 1999, the Sabina Elementary Building was 99% completed; the New Vienna Elementary Building was 99% completed, the new High School was 97% completed and the middle school renovation had not yet begun.

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Acordia/McEloy for property insurance, and Nationwide Insurance Company for fleet and liability insurance. Coverages provided at June 30, 1999 are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$21,412,595
Inland Marine Coverage (\$250 deductible) - Each location	470,000
Valuable Papers (\$250 deductible)	50,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorist (\$250 deductible)	500,000
General Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 9 - RISK MANAGEMENT (Continued)

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

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council's Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 17). The plan is intended to reduce premiums for the participants. 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 Plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover costs of administering the program.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. 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 School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$165,858, \$156,332 and \$129,445, respectively; 47.3 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$47,738 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established 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 for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$550,662, \$536,242 and \$486,923, respectively; 80.54 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$40,329 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

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 System/State Teachers Retirement System. As of June 30, 1999, one of the Board of Education members has elected Social Security.

NOTE 11 - POSTEMPLOYMENT 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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$276,383 for fiscal year 1999.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$96,241.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn ten to twenty days of vacation per year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

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 188 days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 47 days.

B. Medical and Dental Insurance

The School District provides medical insurance coverage to most employees. The School District pays 95% of the premium for single coverage and 66% of the premium for family coverage through Anthem Blue Cross Blue Shield. The School District provides dental insurance coverage to most employees through CoreSource and pays 100% of the premium .

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 12 - EMPLOYEE BENEFITS (Continued)

C. Life Insurance

The School District provides life insurance to all employees, except substitutes, through CoreSource and pays 100% of the premium.

D. Special Termination Benefit Payable

Teaching employees who retire the first year they are eligible to retire through STRS are paid a bonus of \$9,000. One half is paid upon receipt of proof of retirement from STRS and one half is paid the following January.

NOTE 13 - LONG-TERM OBLIGATIONS

The change in the School District's long-term obligations during the fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Obligation Bonds	\$3,980,000	\$0	\$165,000	\$3,815,000
Compensated Absences	273,045	8,941	0	281,986
Intergovernmental Payable (Pension Liability)	68,198	73,269	68,198	73,269
Total General Long Term Obligations	<u>\$4,321,243</u>	<u>\$82,210</u>	<u>\$233,198</u>	<u>\$4,170,255</u>

On March 23, 1995, the School District entered into a school facilities loan program for the purpose of constructing school classroom facilities. This construction included two new elementary buildings and one high school building. Under the contract the School District received fifteen million two hundred thousand dollars (\$15,200,000) as provided by the State to be repaid from the proceeds of a half mill levy. The remaining funding of three million eight hundred thousand dollars (\$3,800,000) was received through voted general obligation bonds issued in 1995. At anytime the taxes necessary to be levied to provide the debt service on the School District's net indebtedness including the bond issue plus the half mill payment to the state would decline below four mills per year, then any margin thus created between the reduced millage and four mills must be levied and repaid to the State. At the end of the twenty-three year period any remaining unpaid balance on the State loan is forgiven and written off by the State.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

On October 21, 1997, the School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remainder of the classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 486 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

Compensated absences, and the pension obligation will be paid from the fund from which the employee's salaries are paid.

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

<u>Purpose</u>	<u>Int Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 6/30/98</u>	<u>Retired 1998</u>	<u>Balance 6/30/99</u>
1979 HS Addition	7.750	1980	2003	\$ 430,000	\$ 70,000	\$ 360,000
1994 New Bldgs.	6.124	1995	2017	<u>3,550,000</u>	<u>95,000</u>	<u>3,455,000</u>
Totals				<u>\$3,980,000</u>	<u>\$165,000</u>	<u>\$3,815,000</u>

The School District's voted legal debt margin was \$4,666,763 with an unvoted debt margin of \$89,892 at June 30, 1999.

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$170,000	\$239,061	\$409,061
2001	185,000	228,085	413,085
2002	180,000	216,774	396,774
2003	185,000	205,470	390,470
2004	195,000	193,653	388,653
2005-2009	755,000	787,794	1,542,794
2010-2014	1,055,000	481,380	1,536,380
2015-2018	<u>1,090,000</u>	<u>131,919</u>	<u>1,221,919</u>
Total	<u>\$3,815,000</u>	<u>\$2,484,136</u>	<u>\$6,299,136</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 14 - CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual purchase commitments as follows:

Company	Sabina Project	New Vienna Project	High School Project	Middle School Project	Total Amount Paid
Accurate Electric	\$0	\$0	\$0	\$309,000	\$309,000
Apex Construction	0	0	0	472,710	472,710
Donnell, Inc.	1,000	500	70,107	0	71,607
Griffith Co.	4,829	5,754	0	0	10,583
Electrical Mechanics	0	19,801	18,176	0	37,977
Global Fire	0	175	0	0	175
Weller's Plumbing	<u>0</u>	<u>0</u>	<u>0</u>	<u>336,540</u>	<u>336,540</u>
Totals	<u>\$5,829</u>	<u>\$26,230</u>	<u>\$88,283</u>	<u>\$1,118,250</u>	<u>\$1,238,592</u>

NOTE 15 - JOINT VENTURES

Clinton County Schools Cooperative, made up of Clinton-Massie Schools, East Clinton School, 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 cooperative 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 Employees Retirement Income Security Act (ERISA) and is therefore exempt from ERISA requirements. Financial information, for the year ended June 30, 1999, relating to this joint venture is available in each of the district's central offices.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association (MVECA)

The Miami Valley Educational Computer Association (MVECA) is a governmental jointly governed organization consisting of 27 school districts. MVECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information relating to MVECA can be obtained from Gary Bosserman, Director, 320 East Enon Road, Yellow Springs, OH 45387.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Hopewell Special Education Regional Resource Center (Hopewell)

The 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 districts 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 a representative from the county board of education, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants.

Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possess its own budgetary and taxing authority. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 E. Kemper Road, Cincinnati, OH 45241-1581.

Kenton Trace League

Kenton Trace League provides sporting events for the students of the participation districts. The governing board consists of each participating high school principal. The Kenton Trace League does not acquire financial resources and in no way will it cause financial stress on the School District.

Southwestern Ohio Educational Purchasing Council (SOEPC) obtains prices for quality merchandise and services commonly used by schools of SOEPC and serves as a resource for business operations. Each member district has one voting representative and shall obligate themselves to pay all fees, charges, and other assessments as established by the SOEPC. Rights to any and all equipment, furniture, supplies, etc. purchased by SOEPC shall be held in trust for all member districts by the Fiscal Agent. SOEPC also offers a group rating plan for workers' compensation as established under section 4123.29 of the Ohio Revised Code. East Clinton participates in this group rating plan. The firm of CompManagement, Inc. administers this program for SOEPC. Financial information may be obtained from the Fiscal Agent, Montgomery County Board of Education, 451 W. Third Street, Dayton, OH 45422-1040.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 17 - INSURANCE PURCHASING POOL

The School District participates in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 18 - SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$4,014,556 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$21,496,594 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

A. TEXTBOOKS AND INSTRUCTIONAL MATERIALS

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$104,289	
Qualifying expenditures made during the year	(119,515)	
Amount of offsets for the year	(22,740)	
Total		(37,966)
Balance of set-aside to be carried forward to next year		\$0

B. CAPITAL IMPROVEMENTS

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$104,289	
Qualifying expenditures made during the year	(155,280)	
Amount of offsets for the year	(43,753)	
Total		(94,744)
Balance of set-aside to be carried forward to next year		\$0

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

C. BUDGET STABILIZATION

Set-aside balance carried forward from the prior year (Workers' Compensation refund)		\$29,023
Current year set-aside requirement	\$0	
Workers' Compensation refund received during the year	0	
Total		29,023
Balance of set-aside to be carried forward to next year		\$29,023

D. SCHOOL BUS PURCHASES

Balance carried forward from the prior year		\$61,704
Current year amount received	\$60,202	
Qualifying expenditures made during the year	(104,481)	
Total		(44,279)
Balance to be carried forward to next year		\$17,425

NOTE 20 - INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivable	Payable
General Fund	\$3,000	\$0
Enterprise Fund		
Food Service Fund		3,000
Total All Funds	\$3,000	\$3,000

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 21 - SHORT TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended June 30, 1999 follows:

	Balance June 30, 1998	Additions	Deletions	Balance June 30, 1999
Tax Anticipation Notes- 5.1%	\$0	\$172,000	\$0	\$172,000
	\$0	\$172,000	\$0	\$172,000

The notes were issued on June 1, 1999, and will mature on December 7, 1999. The notes were issued to help meet the cash flows of the District. The note proceeds were received in the general fund. The notes will be paid from property tax revenue received in general fund.

NOTE 22 - CONTINGENT LIABILITIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the School District at June 30, 1999.

Litigation:

The School District is a party to legal proceedings. The School District is of the opinion that ultimate disposition of claim will not have a material effect, if any, on the financial condition of the School District.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	None	10.550	\$0	\$27,459	\$0	\$27,459
School Breakfast Program	05-PU-99	10.553	651	----	651	----
National School Lunch	03-PU-98	10.555	3,004	----	3,004	----
	03-PU-99		18,355	----	18,355	----
	04-PU-98		6,700	----	6,700	----
	04-PU-99		41,639	----	41,639	----
Total CFDA # 10.555			69,698	0	69,698	0
Total Child Nutrition Cluster			70,349	0	70,349	0
Total U.S. Department of Agriculture			70,349	27,459	70,349	27,459
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Education Consolidation and Improvement Act						
Title I - FY 98	C1-S1-98	84.010	----	----	27,628	----
Title I - FY 99	C1-S1-99	84.010	182,563	----	180,001	----
<i>Total Title I</i>			182,563	0	207,629	0
Special Education Cluster:						
Special Education Grants to States						
Title VI B - FY 98	6B-SF-97	84.027	----	----	4,793	----
Title VI B - FY 99	6B-SF-98	84.027	53,328	----	33,026	----
<i>Total Special Education Cluster</i>			53,328	0	37,819	0
Goals 2000						
Goals 2000 Subsidy	G2-S2-99	84.276	5,000	----	4,603	----
<i>Total Goals 2000</i>			5,000	0	4,603	0
Drug Free Schools						
Drug Free Education - Subsidy - FY 99	DR-S1-99	84.186	8,285	----	6,736	----
<i>Total Drug Free School Grants</i>			8,285	0	6,736	0
Eisenhower Math & Science						
Math & Science Grant - FY 99	MS-A3-98	84.281	5,000	----	4,045	----
<i>Total Math & Science Grants</i>			5,000	0	4,045	0
Innovative Educational Program Strategies						
Educational Program Strategies	C2-S1-98	84.298	----	----	938	----
Educational Program Strategies	C2-S1-99	84.298	5,854	----	4,689	----
<i>Total Innovative Ed</i>			5,854	0	5,627	0
Total Department of Education			260,030	0	266,459	0
TOTAL FEDERAL FINANCIAL ASSISTANCE			330,379	27,459	336,808	27,459

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1998**

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

Nonmonetary 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, 1999, the District had no significant food commodities in inventory.



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

East Clinton Local School District
Clinton County
97 College Street
Lees Creek, Ohio 45138

To the Board of Education:

We have audited the general-purpose financial statements of East Clinton Local School District, Clinton County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated February 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated February 29, 2000.

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 structure 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 February 29, 2000.

This report is intended for the information of the 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

February 29, 2000



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

East Clinton Local School District
Clinton County
97 College Street
Lees Creek, Ohio 45138

To the Board of Education:

Compliance

We have audited the compliance of East Clinton 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 its major federal program for the fiscal year ended June 30, 1999. 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on East Clinton Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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, East Clinton Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 1999.

Internal Control Over Compliance

The management of the East Clinton Local School 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. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report that we have reported to management in a separate letter dated February 29, 2000.

This report is intended for the information of the Board of Education, management, 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.

Jim Petro
Auditor of State

February 29, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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EAST CLINTON 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
MARCH 23, 2000**