



**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education

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

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

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

As described in Note 3A, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Betty Montgomery
Auditor of State

February 17, 2004

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

As management of the East Clinton Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the financial statements to enhance their understanding of the School District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information of the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board had elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

- ‡ The assets of the East Clinton Local School District exceeded its liabilities at June 30, 2003 by \$15,713,773. Of this amount, \$284,041 may be used to meet the School District's ongoing financial obligations. The remaining amount represents capital assets net of related debt and net asset amounts restricted for specific purposes.
- ‡ The School District's net assets decreased by \$243,099 during this year's operations. This represents a 1.5 decrease percent from 2002.
- ‡ General revenues accounted for \$8,796,886 or 81 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$1,991,542 or 19 percent of total revenues of \$10,798,579.
- ‡ The School District had \$11,041,678 in expenses related to governmental activities; only \$2,001,693 of these expenses were offset by program specific charges for services, grants or contributions and interest.

Using the Basic Financial Statements

This report consists of a series of financial statements and the notes to the financial statements. These statements are organized so the reader can understand East Clinton Local School District as a whole, an entire operating entity.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The *Statement of Net Assets* and *Statement of Activities* provides information about the activities of the School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other major funds presented in total in one column. The major funds for the East Clinton Local School District are the general fund and the debt service fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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

Fiduciary Funds - The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2003 and 2002:

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

(Table 1)
Net Assets
Governmental Activities

	2003	2002
Assets		
Current and Other Assets	\$6,605,423	\$5,924,201
Capital Assets	16,953,691	17,589,177
Total Assets	23,559,114	23,513,378
Liabilities		
Long-Term Liabilities	3,434,321	3,588,944
Other Liabilities	4,411,020	3,967,562
Total Liabilities	7,845,341	7,556,506
Net Assets		
Invested in Capital Assets, Net of Related Debt	13,858,691	14,309,177
Restricted	1,571,041	1,595,593
Unrestricted	284,041	52,102
Total Net Assets	\$15,713,773	\$15,956,872

Net assets decreased by \$243,099. This was primarily due to a \$635,486 decrease in capital assets as a result of depreciation expense for the year, offset by a \$297,065 increase in taxes receivable and a \$37,597 increase in intergovernmental receivables.

Table 2 shows the highlights the District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services, restricted grants and interest and charges for services. General Revenues include taxes, unrestricted grants, such as state foundation support and rent.

Since this is the first year the School District has prepared financial statements following GASB 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years.

*East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited*

(Table 2)
Change in Net Assets

	Governmental Activities 2003
	<u>2003</u>
Revenues	
Program Revenues:	
Charges for Services	\$345,087
Operating Grants, Contributions and Interest	1,559,697
Capital Grants and Contributions	96,909
Total Program Revenues	<u>2,001,693</u>
General Revenues:	
Property Taxes	3,198,694
Grants and Entitlements not Restricted to Specific Programs	5,364,647
Investment Earnings	42,036
Rent	595
Miscellaneous	190,914
Total General Revenues	<u>8,796,886</u>
Total Revenues	<u>\$10,798,579</u>

(continued)

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

(Table 2)
Change in Net Assets
(continued)

	Governmental Activities <u>2003</u>
Program Expenses	
Instruction	
Regular	\$4,599,769
Special	1,018,047
Vocational	146,476
Adult/Continuing	286
Support Services	
Pupils	390,506
Instructional Staff	766,944
Board of Education	23,873
Administration	1,049,327
Fiscal	199,301
Business	4,001
Operation and Maintenance of Plant	1,202,913
Pupil Transportation	717,545
Central	23,667
Operation of Non-Instructional Services	
Food Services	433,507
Extracurricular Activities	260,713
Interest and Fiscal Charges	204,803
Total Expenses	<u>11,041,678</u>
Decrease in Net Assets	<u><u>(\$243,099)</u></u>

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Governmental Activities

Grants and Entitlements made up 65 percent of revenues for governmental activities of the East Clinton Local School District for fiscal year 2003.

Instruction comprises 52 percent of governmental program expenses. Support services expenses make up 40 percent of governmental expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are cost that must be covered by unrestricted state aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

(Table 3)

Governmental Activities		
	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$5,764,578	\$4,926,586
Support Services	4,378,077	3,668,088
Operation of Non-		
Instructional Services	433,507	59,931
Extracurricular Activities	260,713	180,577
Interest and Fiscal Charges	204,803	204,803
Total Expenses	\$11,041,678	\$9,039,985

The School District's Funds

Information about the School District's major funds start on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$10,874,406 and expenditures and other financing uses of \$10,689,706. The net change in fund balance for the year was most significant in the general fund, an increase of \$210,460. This was primarily due to an increase in intergovernmental revenue related to grants received from state and federal agencies of \$366,131, netted against an decrease of \$101,078 in miscellaneous revenue and increases in instructional expenditures due to increases in staff salaries.

*East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited*

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal 2003 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$642,555 above the final budgeted amount in the General Fund.

For the general fund, budget basis revenue was \$8,984,227 with original budget estimates of \$8,867,755, a difference of 1 percent.

Capital Assets and Debt Administration

Capital Assets

The East Clinton Local School District's investment in capital assets as of June 30, 2003 was \$16,953,691. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2003 balances compared to 2002:

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

	2003	2002
Land	\$339,476	\$339,476
Buildings and Improvements	15,628,568	16,002,162
Furniture and Equipment	816,204	973,905
Vehicles	169,443	273,634
Totals	\$16,953,691	\$17,589,177

Net capital assets decreased \$635,486 from the prior year, due mainly to increases in accumulated depreciation.

For more information on capital assets, refer to the notes to the basic financial statements.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Debt

At June 30, 2003 the School District had \$3,095,000 in bonds outstanding, \$195,000 due within one year. Table 5 summarizes bonds and notes outstanding:

(Table 5)
 Outstanding Debt, at Year End
 Governmental Activities

	2003	2002
General Obligation Bonds:		
1980 - School Improvement Bonds	\$75,000	\$145,000
General Obligation Bonds:		
1995 - School Improvement Bonds	3,020,000	3,135,000
Totals	\$3,095,000	\$3,280,000

School Improvement Bonds 1981

The School District issued \$1,640,000 in voted general obligation bonds for the purpose of making improvements to the School District's facilities. The bonds were issued for a twenty-three year period with final maturity on December 1, 2003.

School Improvement Bonds 1995

The School District issued \$3,800,000 in voted general obligation bonds for the purpose of making improvements to the School District's facilities. The bonds were issued for a twenty-three year period with final maturity on December 1, 2021.

The School District's voted legal debt margin was \$7,932,867 with an unvoted debt margin of \$118,119 at June 30, 2003.

For more information on debt, refer to the notes to the basic financial statements.

District Challenges for the Future

East Clinton Local School District's financial status continues to be healthy and it appears that it will remain stable until December 2006, when the School District's emergency tax levy expires. While this is good news for the School District in the short-term, school funding in Ohio is still uncertain due to a number of issues. This is the most important challenge confronting the School District. East Clinton is heavily dependent upon state funding, and due to the State's economy at this time, the School District's financial situation could change without much notice. The School District's state foundation distribution was cut by approximately \$74,000 in 2003, due to a budget reduction order, as the state had received less funds than anticipated.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

While the Ohio Supreme Court ruled in March of 1997, that Ohio's funding of public schools unconstitutional and needs to be restructured, subsequent Court reviews of the legislature's responses have found the State legislature has not adequately responded to the specifics of the ruling. Thus, many school districts believe Ohio's public schools continue to be funded through an inadequate and inequitable system.

The State legislature has created other opportunities for school children in Ohio that has caused more funding concerns for Ohio's public schools. The creation and increase of community schools, the liberalization of home schooling requirements, post-secondary options and intra-district open enrollment are programs that have created additional competition for the limited funding available for education in Ohio.

Projection of student enrollment is another issue that is hard to forecast. During the last five years, East Clinton Local School District's student enrollment has risen and fallen. These fluctuations make it very difficult to forecast an accurate financial picture for the School District. The transient nature of the School District's residents, students choosing open enrollment, parents utilizing home schooling and students selecting the post-secondary option makes estimating the number of students to be funded through the school foundation program difficult. East Clinton Local School District experienced a decline in enrollment for several years, but the past two years have shown a slight increase in student enrollment.

Even though our national economy is showing a slight improvement, our state economy may still have difficulties, such as the possible repeal of the one percent increase in sales tax. Unless Ohio's economy takes a positive turn, the funding for Ohio's public schools may not be sufficient to finance the educational programs necessary for our students.

East Clinton Local School District continues to demonstrate fiscal responsibility by adopting balanced budgets and not overspending those budgets. East Clinton is proud to have an "effective" rating for the 2002-2003 Report Card. The Board and administrators are hopeful that public school funding in Ohio is a priority for Ohio's political leaders and that it will permit the School District to continue to provide a quality education for its students.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Linda Carson, Treasurer, at East Clinton Local School District, 97 College Street, Lees Creek, OH 45138.

East Clinton Local School District

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,016,678
Accrued Interest Receivable	2,093
Accounts Receivable	5,733
Materials and Supplies Inventory	4,930
Intergovernmental Receivable	46,967
Taxes Receivable	3,529,022
Capital Assets:	
Land	339,476
Depreciable Capital Assets, Net	<u>16,614,215</u>
<i>Total Assets</i>	<u>23,559,114</u>
Liabilities	
Accounts Payable	\$51,395
Accrued Wages and Benefits	899,865
Intergovernmental Payable	304,134
Deferred Revenue	3,097,158
Matured Compensated Absences Payable	42,640
Accrued Interest Payable	15,828
Long-Term Liabilities:	
Due Within One Year	215,870
Due in More Than One Year	<u>3,218,451</u>
<i>Total Liabilities</i>	<u>7,845,341</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	13,858,691
Restricted for:	
Capital Projects	510,260
Debt Service	397,383
Other Purposes	327,047
Library Materials and Services	
Expendable	36,351
Nonexpendable	300,000
Unrestricted	<u>284,041</u>
<i>Total Net Assets</i>	<u><u>\$15,713,773</u></u>

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	
Governmental Activities:				
Instruction:				
Regular	\$4,599,769	\$20,815	\$92,499	\$0
Special	1,018,047	0	683,686	0
Vocational	146,476	0	40,992	0
Adult/Continuing	286	0	0	0
Support Services:				
Pupils	390,506	0	34,146	0
Instructional Staff	766,944	0	139,732	0
Board of Education	23,873	0	0	0
Administration	1,049,327	0	32,612	0
Fiscal	199,301	0	0	166
Business	4,001	0	0	0
Operation and Maintenance of Plant	1,202,913	0	24,437	93,743
Pupil Transportation	717,545	0	379,502	0
Central	23,667	0	5,651	0
Operation of Non-Instructional Services:				
Food Services	433,507	247,136	126,440	0
Extracurricular Activities	260,713	77,136		3,000
Interest and Fiscal Charges	204,803	0	0	0
Total Governmental Activities	\$11,041,678	\$345,087	\$1,559,697	\$96,909

General Revenues:

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Grants and Entitlements not

Restricted to Specific Programs

Investment Earnings

Rent

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year (Restated - Note 3)

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net(Expense) Revenue and Changes in Net Assets
<u>Governmental Activities</u>
(\$4,486,455)
(334,361)
(105,484)
(286)
(356,360)
(627,212)
(23,873)
(1,016,715)
(199,135)
(4,001)
(1,084,733)
(338,043)
(18,016)
(59,931)
(180,577)
<u>(204,803)</u>
<u>(9,039,985)</u>
2,791,145
350,787
56,762
5,364,647
42,036
595
<u>190,914</u>
<u>8,796,886</u>
(243,099)
<u>15,956,872</u>
<u><u>\$15,713,773</u></u>

East Clinton Local School District

Balance Sheet
Governmental Funds
June 30, 2003

	General	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,276,882	\$365,883	\$1,286,884	\$2,929,649
Materials and Supplies Inventory	0	0	4,930	4,930
Accrued Interest Receivable	0	0	2,093	2,093
Accounts Receivable	5,633	0	100	5,733
Interfund Receivable	25,000	0	0	25,000
Intergovernmental Receivable	1,529	0	45,438	46,967
Property Taxes Receivable	3,071,490	394,480	63,052	3,529,022
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	87,029	0	0	87,029
<i>Total Assets</i>	<u>\$4,467,563</u>	<u>\$760,363</u>	<u>\$1,402,497</u>	<u>\$6,630,423</u>
Liabilities				
Accounts Payable	\$29,351	\$0	\$22,044	\$51,395
Accrued Wages and Benefits	818,988	0	80,877	899,865
Matured Compensated Absences Payable	42,640	0	0	42,640
Interfund Payable	0	0	25,000	25,000
Intergovernmental Payable	192,025	0	11,524	203,549
Deferred Revenue	2,825,647	363,197	79,334	3,268,178
<i>Total Liabilities</i>	<u>3,908,651</u>	<u>363,197</u>	<u>218,779</u>	<u>4,490,627</u>
Fund Balances				
Reserved for Encumbrances	131,580	0	164,810	296,390
Reserved for Property Taxes	245,843	31,283	5,138	282,264
Reserved for Budget Stabilization	87,029	0	0	87,029
Reserved for Library Materials and Services	0	0	300,000	300,000
Unreserved:				
Undesignated, Reported in:				
General Fund	94,460	0	0	94,460
Special Revenue Funds	0	0	313,509	313,509
Debt Service Funds	0	365,883	0	365,883
Capital Projects Funds	0	0	363,910	363,910
Permanent Fund	0	0	36,351	36,351
<i>Total Fund Balances</i>	<u>558,912</u>	<u>397,166</u>	<u>1,183,718</u>	<u>2,139,796</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,467,563</u>	<u>\$760,363</u>	<u>\$1,402,497</u>	<u>\$6,630,423</u>

See accompanying notes to the basic financial statements

East Clinton Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003

Total Governmental Fund Balances \$2,139,796

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

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

Capital assets	24,016,979	
Accumulated depreciation	(7,063,288)	
Total capital assets	16,953,691	16,953,691

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Taxes	149,928	
Intergovernmental	21,092	
	171,020	171,020

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

Bonds payable	(3,095,000)	
Accrued interest on bonds	(15,828)	
Intergovernmental payable	(100,585)	
Compensated absences	(339,321)	
Total liabilities	(3,550,734)	(3,550,734)

Net Assets of Governmental Activities \$15,713,773

See accompanying notes to the basic financial statements

East Clinton Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,747,221	\$346,931	\$53,578	\$3,147,730
Intergovernmental	6,114,067	36,331	800,103	6,950,501
Interest	42,036	0	11,606	53,642
Tuition and Fees	20,815	0	0	20,815
Rent	595	0	0	595
Extracurricular Activities	0	0	77,136	77,136
Gifts and Donations	6,000	0	0	6,000
Customer Sales and Services	0	0	247,136	247,136
Miscellaneous	133,207	0	97,644	230,851
<i>Total Revenues</i>	<u>9,063,941</u>	<u>383,262</u>	<u>1,287,203</u>	<u>10,734,406</u>
Expenditures				
Current:				
Instruction:				
Regular	4,020,843	0	111,595	4,132,438
Special	637,574	0	308,318	945,892
Vocational	112,344	0	15,856	128,200
Adult/Continuing	286	0	0	286
Support Services:				
Pupils	348,404	0	33,407	381,811
Instructional Staff	602,728	0	137,972	740,700
Board of Education	23,873	0	0	23,873
Administration	898,540	0	124,927	1,023,467
Fiscal	195,582	7,198	1,117	203,897
Business	4,001	0	0	4,001
Operation and Maintenance of Plant	1,072,877	0	183,516	1,256,393
Pupil Transportation	615,572	0	4,240	619,812
Central	14,217	0	9,450	23,667
Operation of Non-Instructional Services:				
Food Service Operations	0	0	407,507	407,507
Extracurricular Activities	166,640	0	79,899	246,539
Capital Outlay	0	0	20,753	20,753
Debt Service				
Principal Retirement	0	185,000	0	185,000
Interest and Fiscal Charges	0	205,470	0	205,470
<i>Total Expenditures</i>	<u>8,713,481</u>	<u>397,668</u>	<u>1,438,557</u>	<u>10,549,706</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>350,460</u>	<u>(14,406)</u>	<u>(151,354)</u>	<u>184,700</u>
Other Financing Sources and Uses				
Transfers-In	0	0	140,000	140,000
Transfers-Out	(140,000)	0	0	(140,000)
<i>Total Other Financing Sources and Uses</i>	<u>(140,000)</u>	<u>0</u>	<u>140,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	210,460	(14,406)	(11,354)	184,700
<i>Fund Balance at Beginning of Year (Restated - Note 3)</i>	<u>348,452</u>	<u>411,572</u>	<u>1,195,072</u>	<u>1,955,096</u>
<i>Fund Balance at End of Year</i>	<u>\$558,912</u>	<u>\$397,166</u>	<u>\$1,183,718</u>	<u>\$2,139,796</u>

See accompanying notes to the basic financial statements

East Clinton Local School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$184,700

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

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

Fixed asset additions	178,222	
Depreciation expense	<u>(801,907)</u>	
Excess of capital outlay over depreciation expense		(623,685)

The proceeds from the sale of fixed assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the statement of net assets and offset against the proceeds from the sale of fixed assets resulting in a loss on the sale of fixed assets in the statement of activities.

Loss on Disposal of Capital Assets		(11,801)
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Because, some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent Property Taxes	50,964	
Intergovernmental	<u>13,209</u>	
		64,173

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount consisted of bond principal retirement. 185,000

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest	667	
Increase in compensated absences	(30,377)	
Increase in intergovernmental payable	<u>(11,776)</u>	
Total additional expenditures		<u>(41,486)</u>

Change in Net Assets of Governmental Activities (\$243,099)

See accompanying notes to the basic financial statements

East Clinton Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$2,671,360	\$2,771,361	\$2,675,279	(\$96,082)
Intergovernmental	6,092,475	5,686,754	6,112,538	425,784
Interest	53,567	50,000	39,537	(10,463)
Tuition and Fees	17,142	16,000	20,878	4,878
Rent	1,071	1,000	655	(345)
Gifts and Donations	0	0	6,000	6,000
Miscellaneous	32,140	30,000	129,340	99,340
Total Revenues	8,867,755	8,555,115	8,984,227	429,112
Expenditures:				
Current:				
Instruction:				
Regular	4,062,285	4,066,655	3,929,062	137,593
Special	656,471	657,177	597,493	59,684
Vocational	108,398	108,515	113,558	(5,043)
Other	19,979	20,000	26,593	(6,593)
Support Services:				
Pupils	341,396	341,763	334,080	7,683
Instructional Staff	571,735	572,350	592,338	(19,988)
Board of Education	22,526	22,550	23,866	(1,316)
Administration	887,649	888,604	875,228	13,376
Fiscal	199,285	199,499	199,548	(49)
Business	9,989	10,000	4,950	5,050
Operation and Maintenance of Plant	1,098,609	1,099,791	1,100,393	(602)
Pupil Transportation	731,246	732,033	729,653	2,380
Central	35,961	36,000	14,217	21,783
Extracurricular Activities	156,007	156,175	165,890	(9,715)
Capital Outlay	5,994	6,000	4,800	1,200
Total Expenditures	8,907,530	8,917,112	8,711,669	205,443
Excess of Revenues Over (Under) Expenditures	(39,775)	(361,997)	272,558	634,555
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	0	2,000	0	(2,000)
Transfers Out	0	(150,000)	(140,000)	10,000
Advances Out	0	(25,000)	(25,000)	0
Total Other Financing Sources (Uses)	0	(173,000)	(165,000)	8,000
Net Change in Fund Balance	(39,775)	(534,997)	107,558	642,555
Fund Balance at Beginning of Year	1,029,217	1,029,217	1,029,217	0
Prior Year Encumbrances Appropriated	34,582	34,582	34,582	0
Fund Balance at End of Year	\$1,024,024	\$528,802	\$1,171,357	\$642,555

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,064	\$40,008
Liabilities		
Undistributed Monies	0	\$40,008
<i>Total Liabilities</i>	0	\$40,008
Net Assets		
Held in Trust for Scholarships	12,064	
<i>Total Net Assets</i>	\$12,064	

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2003

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$205
Deductions	
Payments in Accordance with Trust Agreements	500
<i>Change in Net Assets</i>	(295)
<i>Net Assets at Beginning of Year</i>	12,359
<i>Net Assets at End of Year</i>	\$12,064

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

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 77 non-certified employees, 103 teaching personnel and 7 administrative employees providing education to 1,559 students.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District 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 dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in seven organizations, five of which are defined as jointly governed organizations, and two as insurance purchasing pools. These organizations are the Miami Valley Educational Computer Association (MVECA), Hopewell Special Education Regional Resource Center (Hopewell), Great Oaks Institute of Technology and Career Development, Southern Buckeye Conference, the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan and the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

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 governmental 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

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

Government-wide Financial Statements

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

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain 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. The funds of the School District fall within two categories: governmental and fiduciary.

Governmental Fund Types:

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

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Expenses/Expenditures

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

The 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. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

E. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate that was in effect at the time the final appropriations were passed.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

During fiscal year 2003, the School District's investments were limited to certificates of deposit, money market mutual funds, a repurchase agreement, Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds and Federal Farm Credit Bank Bonds. 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 2003 amounted to \$42,036, which includes \$22,134 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as equity in pooled cash and cash equivalents.

G. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories consist of purchased food held for resale and consumable supplies.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-40 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	10 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

L. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences, contractually required pension obligations and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds are recognized as a liability on the government-wide financial statements when due.

M. Net Assets

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

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

N. Fund Balance Reserves

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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Transactions

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

P. 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.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

A. Changes in Accounting Principles

For fiscal year 2003, the School District has implemented *GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”*, *GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”*, *GASB Statement No. 38, “Certain Financial Statement Note Disclosures”*, and *GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”*

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

The government-wide financial statements split programs between governmental and business-type activities. The School District has no business-type activities. The beginning net asset amount for governmental activities reflects the following changes in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES (Continued)

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability for compensated absences that were not matured as of June 30, 2002.

B. Restatement of Fund Balances

The restatements for *GASB Statement No. 34*, and *GASB Interpretation No. 6* had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$339,604	\$411,572	\$832,667	\$1,583,843
Interpretation No. 6 Adjustments	8,848	0	0	8,848
Fund Reclassifications	0	0	362,405	362,405
Adjusted Fund Balance, June 30, 2002	<u>\$348,452</u>	<u>\$411,572</u>	<u>\$1,195,072</u>	1,955,096
GASB No. 34 Adjustments:				
Deferred Assets:				
Intergovernmental Receivables				7,883
Delinquent Property Taxes				98,964
Capital Assets				17,589,177
Intergovernmental Payable				(88,809)
Accrued Interest Payable				(16,495)
Long-Term Liabilities:				
Bonds Payable				(3,280,000)
Compensated Absences				(304,444)
Special Termination Benefits				<u>(4,500)</u>
Governmental Activities Net				
Assets, June 30, 2002				<u>\$15,956,872</u>

NOTE 4 – ACCOUNTABILITY

The following funds had deficit fund balances for the fiscal year ended June 30, 2003:

	<u>Amount</u>
Special Revenue Funds:	
Food Service Fund	\$49,446
Title I	4,907

The deficits in these funds were created by the recognition of accrued liabilities. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual is presented for the General Fund 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance.
4. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$210,460
Adjustments:	
Revenue Accruals	(77,215)
Expenditure Accruals	191,867
Increase in Fair Market Value of Investments	(2,499)
Encumbrances	(190,055)
Advances	(25,000)
Budget Basis	\$107,558

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the 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 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 fiscal year-end, the carrying amount of the School District's deposits was (\$208,728) and the bank balance was (\$197,525).

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. Money market mutual funds are unclassified since they are not evidenced by securities that exist in physical or book entry form.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

	<u>Unclassified</u>	<u>Category 3</u>	<u>Fair Value</u>
Money Market Mutual Funds	\$696,740	\$0	\$696,740
Repurchase Agreement	0	1,301,016	1,301,016
Federal Home Loan Mortgage Corporation Bonds	0	125,760	125,760
Federal Home Loan Bank Bonds	0	903,064	903,064
Federal Farm Credit Bank Bonds	0	250,898	250,898
Totals	<u>\$696,740</u>	<u>\$2,580,738</u>	<u>\$3,277,478</u>

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:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
Equity in Pooled Cash and Cash Equivalents	\$3,068,750	\$0
Investments:		
Money Market Mutual Funds	(696,740)	696,740
Repurchase Agreement	(1,301,016)	1,301,016
Federal Home Loan Mortgage Corporation Bonds	(125,760)	125,760
Federal Home Loan Bank Bonds	(903,064)	903,064
Federal Farm Credit Bank Bonds	(250,898)	250,898
GASB Statement No. 3	<u>(\$208,728)</u>	<u>\$3,277,478</u>

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District's 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 7- PROPERTY TAXES (Continued)

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

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

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

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 7- PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2003, was \$245,843 in the General Fund, \$31,283 in the Debt Service Fund and \$5,138 in the Classroom Facilities Maintenance Nonmajor Special Revenue Fund. The amount available as an advance at June 30, 2002, was \$173,901 in the General Fund, \$25,778 in the Debt Service Fund and \$3,683 in the Classroom Facilities Maintenance Special Revenue Fund.

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

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

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$94,024,520	82.07%	\$96,818,670	81.97%
Public Utility	6,360,450	5.55%	6,606,510	5.59%
Tangible Personal Property	14,184,016	12.38%	14,693,724	12.44%
Total Assessed Value	\$114,568,986	100.00%	\$118,118,904	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.06		\$36.38	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003, consisted of accrued interest, accounts, interfund, intergovernmental grants and property taxes. 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 intergovernmental receivables follows:

<i>Governmental Activities</i>	
Reimbursement	\$1,529
Title CI-B	9,617
Title I	23,492
Title VI	7,698
Drug-Free Grant	823
Preschool Disabilities Grant	328
Continuous Improvement Grant	3,480
Total Intergovernmental Receivables	\$46,967

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 9 – CAPITAL ASSETS

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

	<u>Balance at</u> 6/30/02	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> 6/30/03
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$339,476	\$0	\$0	\$339,476
Capital Assets Being Depreciated:				
Buildings and Improvements	20,105,484	126,581	0	20,232,065
Furniture, Fixtures and Equipment	2,304,846	37,141	(3,741)	2,338,246
Vehicles	1,102,592	14,500	(9,900)	1,107,192
Totals at Historical Cost	<u>23,512,922</u>	<u>178,222</u>	<u>(13,641)</u>	<u>23,677,503</u>
Less Accumulated Depreciation:				
Building and Improvements	(4,103,322)	(500,175)	0	(4,603,497)
Furniture and Equipment	(1,330,941)	(191,703)	602	(1,522,042)
Vehicles	(828,958)	(110,029)	1,238	(937,749)
Total Accumulated Depreciation	<u>(6,263,221)</u>	<u>(801,907)</u>	<u>1,840</u>	<u>(7,063,288)</u>
Total Capital Assets Being Depreciated, Net	<u>17,249,701</u>	<u>(623,685)</u>	<u>(11,801)</u>	<u>16,614,215</u>
Governmental Activities Capital Assets, Net	<u>\$17,589,177</u>	<u>(\$623,685)</u>	<u>(\$11,801)</u>	<u>\$16,953,691</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$463,863
Special	63,257
Vocational	16,885
Support Services:	
Instructional Staff	35,257
Administration	22,852
Fiscal	471
Operation and Maintenance of Plant	4,140
Pupil Transportation	111,242
Operation of Non-Instructional Services	60,643
Extracurricular Activities	23,297
Total Depreciation Expense	<u>\$801,907</u>

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Marsh/Selective for property and fleet insurance, and Nationwide Insurance Company for liability insurance. Coverages provided at June 30, 2003, are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$26,143,491
Inland Marine Coverage (\$500 deductible) - Each location	937,745
Valuable Papers (\$100 deductible)	75,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorist (\$250 deductible)	1,000,000
General Liability	
Per Occurrence	1,000,000
Total per Year	3,000,000

There has been a significant increase in coverage for uninsured motorists from the prior year, due to a change in insurance providers. Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Workers' Compensation

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 10 - RISK MANAGEMENT (Continued)

C. Medical and Dental Benefits

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), and insurance purchasing pool (Note 17). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school district is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its medical and dental insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation is limited to school districts that can meet the MBP's selection criteria.

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$195,615, \$88,955, and \$44,248, respectively; 46.85 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001.

B. State Teachers Retirement System of Ohio

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 11 - PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 20, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$633,118, \$427,860, and \$403,946, respectively; 93.77 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$9,068 made by the School District and \$19,628 made by the plan members.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 11 - PENSION PLANS (Continued)

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, 2003, one of the School District's members of the Board of Education has elected Social Security. The School District's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$41,459 for fiscal year 2003.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$167,806.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits 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. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 188 days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 47 days.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2003

NOTE 13 - EMPLOYEE BENEFITS (Continued)

B. Insurance Benefits

The School District provides medical insurance coverage to most employees. The School District pays 90% of the premium for single coverage and 70% 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. Medical and dental benefits are paid through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (Note 17).

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

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Restated Amount Outstanding 6/30/02	Additions	Deductions	Amount Outstanding 6/30/03	Amounts Due in One Year
<u>Governmental Activities:</u>					
School Improvement Bonds 1980 7.75%	\$145,000	\$0	\$70,000	\$75,000	\$75,000
School Improvement Bonds 1995 6.124%	3,135,000	0	115,000	3,020,000	120,000
Compensated Absences Payable	304,444	263,647	228,770	339,321	20,870
Special Termination Benefits	4,500	0	4,500	0	0
Total Governmental Activities Long-Term Obligations	<u>\$3,588,944</u>	<u>\$263,647</u>	<u>\$418,270</u>	<u>\$3,434,321</u>	<u>\$215,870</u>

School Improvement Bonds 1981

On March 1, 1980, the School District issued \$1,640,000 in voted general obligation bonds for the purpose of making improvements to the School District's facilities. The bonds were issued for a twenty-three year period with final maturity on December 1, 2003. The bonds will be retired from the debt service fund.

School Improvement Bonds 1995

On March 1, 1995, the School District issued \$3,800,000 in voted general obligation bonds for the purpose of making improvements to the School District's facilities. The bonds were issued for a twenty-three year period with final maturity on December 1, 2017. The bonds will be retired from the debt service fund.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year-ended June 30, 2003

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Compensated absences will be paid from the general, food service, Title VI-B, Title I, and Class Size Reduction funds. Special termination benefits were paid from the general fund.

The School District's voted legal debt margin was \$7,932,867 with an unvoted debt margin of \$118,119 at June 30, 2003.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

School Improvement Bonds 1981

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	<u>\$75,000</u>	<u>\$2,907</u>	<u>\$77,907</u>

School Improvement Bonds 1995

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$120,000	\$190,746	\$310,746
2005	125,000	184,223	309,223
2006	135,000	170,079	305,079
2007	155,000	155,016	310,016
2008	165,000	145,082	310,082
2009-2013	995,000	544,134	1,539,134
2014-2018	1,325,000	202,562	1,527,562
Total	<u>\$3,020,000</u>	<u>\$1,591,842</u>	<u>\$4,611,842</u>

NOTE 15 - INTERFUND ACTIVITY

A. Interfund Transfers

Transfers made during the year ended June 30, 2003, were as follows:

Transfer To	Transfer From
	<u>General Fund</u>
Non-Major Governmental Fund	\$140,000

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year-ended June 30, 2003

NOTE 15 - INTERFUND ACTIVITY (Continued)

B. Interfund Receivables/Payables

As of June 30, 2003, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Receivable General Fund	
Payable	All Other Nonmajor Governmental Funds	\$25,000

The amounts due to the general fund from other nonmajor governmental funds are the result of the School District moving unrestricted balances to support the operations of the food service fund. The general fund will be reimbursed when funds become available in the food service fund.

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 24 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. The District paid MVECA \$24,789 for service provided during the fiscal year. Financial information relating to MVECA can be obtained from Gary Bosserman, Director, 320 East Enon Road, Yellow Springs, OH 45387.

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 Clinton-Fayette-Highland Educational Service District, 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-

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year-ended June 30, 2003

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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. To obtain financial information write to Hopewell at the Clinton-Fayette-Highland Educational Service District, 62 Laurel Drive, Wilmington, OH 45177.

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.

Southern Buckeye Conference

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

Southwestern Ohio Educational Purchasing Council (SOEPC)

Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2003, the School District paid \$1,528 to SOEPC. To obtain financial information, write to Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year-ended June 30, 2003

NOTE 17 - INSURANCE PURCHASING POOLS

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The Plan'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 Plan serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by participating members.

NOTE 18 - 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.

For fiscal year ended June 30, 2003, the School District was no longer required to set aside funds in the budget reserve, with the exception of monies received from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2002	(\$229,419)	\$0	\$87,029
Current Year Set-aside Replacement	197,026	197,026	0
Current Year Offsets	0	(198,180)	0
Qualifying Disbursements	(279,086)	0	0
Totals	<u>(311,479)</u>	<u>(1,154)</u>	<u>87,029</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$87,029</u>
Required Set-aside Balances Carried Forward to FY 2003	<u>(\$311,479)</u>	<u>\$0</u>	<u>\$0</u>

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year-ended June 30, 2003

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

The School District had offsets for capital acquisition during the year that reduced the set-aside amount below zero. This extra amount may not be used to reduce the set-aside requirement of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year. The School District had qualifying disbursements for textbooks during the year that reduced the set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years.

NOTE 19 - 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, 2003.

Litigation:

The School District is not currently party to legal proceedings.

NOTE 20 - STATE SCHOOL FUNDING DECISION

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

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

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

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**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	None	10.550	\$0	\$19,345	\$0	\$19,345
Nutrition Cluster:						
National School Breakfast Program	05-PU-2002 05-PU-2003	10.553	1,793 10,652	---- ----	---- 12,445	---- ----
National School Lunch	LLP4-2002 LLP4-2003	10.555	15,707 73,486	---- ----	---- 89,193	---- ----
Total U.S. Department of Agriculture			101,638	19,345	101,638	19,345
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Education Consolidation and Improvement Act						
Title I - FY 02	C1-S1-01	84.010	----	----	59,448	----
Title I - FY 03	C1-S1-03	84.010	214,674	----	205,262	----
<i>Total Title I</i>			214,674	0	264,710	0
Special Education Cluster:						
Special Education Grants to States IDEA, Part B	6B-SF-03	84.027	132,007	----	120,462	----
Educational Handicapped Preschool:						
Preschool Subsidy - FY 03	PGS1-03	84.173	4,393	----	4,240	----
<i>Total Special Education Cluster</i>			136,400	0	124,702	0
Goals 2000						
Goals 2000 - FY 02	G2-S2-02	84.276	----	----	1,449	----
<i>Total Goals 2000</i>			0	0	1,449	0
Safe and Drug Free Schools						
Drug Free Education - Subsidy - FY 02	DR-S1-01	84.186	----	----	300	----
Drug Free Education - Subsidy - FY 03	DR-S1-03	84.186	7,407	----	7,390	----
<i>Total Drug Free School Grants</i>			7,407	0	7,690	0
Innovative Educational Program Strategies						
Educational Program Strategies	C2-S1-02	84.298	----	----	1,204	----
Educational Program Strategies	C2-S1-03	84.298	3,511	----	5,660	----
<i>Total Innovative Ed</i>			3,511	0	6,864	0
Additional Programs:						
Assistive Technology	AT-S1	84.352A	32,734	----	23,844	----
Education Technology, Title II	TJ-S1-03	84.318	3,033	----	2,382	----
Improving Teacher Quality	TR-S1-03	84.367	36,743	----	49,728	----
<i>Total Additional Programs</i>			72,510	0	75,954	0
Total Department of Education			434,502	0	481,369	0
TOTAL FEDERAL FINANCIAL ASSISTANCE			536,140	19,345	583,007	19,345

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

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B— FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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 financial statements of the East Clinton Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated February 17, 2004, which indicated that the District had implemented a new financial reporting model, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, GASB Statement No. 37, GASB Statement No. 38, and GASB Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 17, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 17, 2004.

This report is intended for the information and use of the District's elected officials, 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.

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

Betty Montgomery
Auditor of State

February 17, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS 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 the 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 is applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

This report is intended for the information and use of the District's elected officials, 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.



Betty Montgomery
Auditor of State

February 17, 2004

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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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 11, 2004**