



Mary Taylor, CPA
Auditor of State

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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CLINTON COUNTY

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Mary Taylor, CPA

Auditor of State

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 East Clinton Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of East Clinton Local School District, Clinton County, Ohio, as of June 30, 2008, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 26, 2009

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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 fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's performance.

This discussion and analysis of East Clinton Local School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

- In total, net assets decreased \$1,212,284.
- General revenues accounted for \$10,597,038 or 82 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants, contributions and interest accounted for \$2,393,980, or 18 percent of total revenues of \$12,991,018.
- The School District had \$14,203,302 in expenses related to governmental activities; only \$2,393,980 of these expenses were offset by program specific charges for services and sales and operating grants, contributions and interest.
- The assets of the School District exceed its liabilities at June 30, 2008 by \$14,971,968. The School District had a negative \$1,487,457 in unrestricted assets.

Using the Basic Financial Statements

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

The *Statement of Net Assets* and the *Statement of Activities* provide 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 non-major funds presented in total in one column. The major funds for the East Clinton Local School District are the General, Bond Retirement, and Permanent Improvement Funds.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

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 2008?” 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 7. Fund financial statements provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s major funds.

Governmental Funds - Most of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in 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. 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.

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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.

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 2008 and 2007:

Table 1
Net Assets
Governmental Activities

Assets	2008	2007	Change
Current and Other Assets	\$5,741,829	\$6,810,284	(\$1,068,455)
Capital Assets, Net	16,691,376	17,352,861	(661,485)
Total Assets	22,433,205	24,163,145	(1,729,940)
Liabilities			
Other Liabilities	4,567,628	5,197,005	(629,377)
Long-Term Liabilities	2,893,609	2,781,888	111,721
Total Liabilities	7,461,237	7,978,893	(517,656)
Net Assets			
Invested in Capital Assets, Net of Related Debt	14,715,011	15,135,291	(420,280)
Restricted	1,744,414	1,757,736	(13,322)
Unrestricted (Deficit)	(1,487,457)	(708,775)	(778,682)
Total Net Assets	\$14,971,968	\$16,184,252	(\$1,212,284)

Net assets decreased by \$1,212,284. Invested in capital assets, net of related debt decreased by \$420,280 which was due to increases in accumulated depreciation. Unrestricted net assets decreased by \$778,682 due primarily to a decrease in property taxes receivable caused by a decrease in property valuation.

Table 2, on the following page, shows the highlights of the School 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 and sales, restricted grants, contributions and interest. General Revenues include taxes, unrestricted grants, such as State foundation support, unrestricted gifts and donations, unrestricted investment earnings and miscellaneous revenue.

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Table 2
Change in Net Assets
Governmental Activities

Revenues	<u>2008</u>	<u>2007</u>	<u>Change</u>
Program Revenues:			
Charges for Services and Sales	\$919,116	\$475,466	\$443,650
Operating Grants, Contributions and Interest	1,474,864	1,458,461	16,403
Total Program Revenues	<u>2,393,980</u>	<u>1,933,927</u>	<u>460,053</u>
General Revenues:			
Property Taxes	3,260,387	3,467,979	(207,592)
Grants and Entitlements not Restricted to Specific Programs	7,071,227	6,887,236	183,991
Gifts and Donations	15,525	0	15,525
Investment Earnings	147,591	109,374	38,217
Miscellaneous	102,308	162,013	(59,705)
Total General Revenues	<u>10,597,038</u>	<u>10,626,602</u>	<u>(29,564)</u>
Total Revenues	<u>12,991,018</u>	<u>12,560,529</u>	<u>430,489</u>
 Program Expenses			
Instruction:			
Regular	6,243,494	5,409,954	833,540
Special	1,267,840	1,166,876	100,964
Vocational	115,989	159,182	(43,193)
Student Intervention Services	0	22,691	(22,691)
Support Services:			
Pupils	464,217	344,225	119,992
Instructional Staff	981,866	1,076,647	(94,781)
Board of Education	47,910	24,631	23,279
Administration	1,451,162	1,093,469	357,693
Fiscal	306,670	301,295	5,375
Business	7,691	7,446	245
Operation and Maintenance of Plant	1,340,989	1,747,412	(406,423)
Pupil Transportation	954,773	849,357	105,416
Central	46,588	45,284	1,304
Operation of Non-Instructional Services:			
Food Service Operations	504,284	514,423	(10,139)
Extracurricular Activities	342,917	310,201	32,716
Interest and Fiscal Charges	126,912	120,023	6,889
Total Expenses	<u>14,203,302</u>	<u>13,193,116</u>	<u>1,010,186</u>
Decrease in Net Assets	(1,212,284)	(632,587)	(579,697)
Net Assets at Beginning of Year	16,184,252	16,816,839	(632,587)
Net Assets at End of Year	<u>\$14,971,968</u>	<u>\$16,184,252</u>	<u>(\$1,212,284)</u>

Governmental Activities

Charges for services and sales increased \$443,650 due to an increase in students attending the School District from other districts. Property taxes decreased by \$207,592 primarily due to a decrease in valuation.

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Regular instruction increased by \$833,540. This was caused by an increase in salaries and alternative school and supplies costs, and the launch of a new Success for All reading program. Administration increased by \$357,693 due mainly to the acceptance of an early retirement incentive by several employees in fiscal year 2008.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants, contributions and interest offsetting those costs. 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 costs that must be covered by unrestricted state aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, charges for services, fees and donations.

Table 3
Governmental Activities

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
Instruction	\$7,627,323	\$6,758,703	(\$6,081,168)	(\$5,629,476)
Support Services	5,601,866	5,489,766	(5,405,516)	(5,229,384)
Operation of Non-				
Instructional Services	504,284	514,423	56,923	(28,413)
Extracurricular Activities	342,917	310,201	(252,649)	(251,893)
Interest and Fiscal Charges	126,912	120,023	(126,912)	(120,023)
Total Expenses	<u>\$14,203,302</u>	<u>\$13,193,116</u>	<u>(\$11,809,322)</u>	<u>(\$11,259,189)</u>

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,011,572 and expenditures of \$13,425,385.

The net change in the General Fund balance for the fiscal year was a decrease of \$389,351.

The Bond Retirement Fund balance decreased by \$64,617.

The Permanent Improvement Fund balance increased by \$79,701.

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 year 2008, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

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The School District's ending unobligated cash balance was \$33,976 above the final budgeted amount in the General Fund.

For the General Fund, actual revenue was \$10,856,296 with original budget estimates of \$10,362,563, a difference of \$493,733. Final budgeted amounts were the same as actual revenues.

Budget basis expenditures were \$11,192,233 with original and final appropriations of \$11,095,762 and \$11,243,209, respectively. Original estimated expenditures varied from final budget basis expenditures by \$147,447.

Capital Assets and Debt Administration

Capital Assets

The East Clinton Local School District's investment in capital assets as of June 30, 2008 was \$16,691,376. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007:

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

	2008	2007
Land	\$426,976	\$426,976
Buildings and Improvements	15,202,639	15,745,827
Furniture, Fixtures and Equipment	561,807	666,340
Vehicles	499,954	513,718
Totals	\$16,691,376	\$17,352,861

Net capital assets decreased \$661,485 primarily as a result of the current year depreciation expense, offset by minor additions to capital assets.

For more information on capital assets, refer to note 8 of the basic financial statements.

Debt

At June 30, 2008 the School District had \$2,240,277 in bonds outstanding, with \$240,000 due within one year. Table 5 summarizes outstanding bonds:

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Table 5
Outstanding Debt, at June 30,

	2008	2007
2003 - School Improvement Refunding Bonds	\$1,984,998	\$2,224,998
Accretion on Capital Appreciation Bonds	217,913	153,031
Premium on Refunding	232,110	257,900
Deferred Gain on Refunding	(194,744)	(214,218)
Totals	\$2,240,277	\$2,421,711

School Improvement Refunding Bonds 2003

The School District issued \$2,899,998 in general obligation bonds for the purpose of refunding the 1995 School Improvement Bonds. The bonds were issued for a 14 year period, with final maturity in December 2017.

The School District's voted legal debt margin was \$8,837,915 with an unvoted debt margin of \$115,490 at June 30, 2008.

For more information on debt, refer to note 13 of the basic financial statements.

District Challenges for the Future

School funding in Ohio is still the School District's biggest challenge as we are heavily dependent on State funding. While the Ohio Supreme Court ruled in March 1997 that Ohio's funding of public schools is unconstitutional and needs to be restricted, subsequent Court reviews of the legislature has not adequately responded to the specifics of the ruling. H.B. 66, passed in June 2005, has not helped school districts' financial future. Two of the major issues with H.B. 66 is the phase out of the cost of doing business factor and the phase out of personal tangible property tax with no long-term replacement revenue. 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 have caused more funding concerns for Ohio's public schools. The liberalization of home schooling requirements, post-secondary options, intra-district open enrollment, and community school districts have created additional competition for the limited funding available for education in Ohio.

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The projection of student enrollment is another issue that is difficult to forecast. During the last several fiscal years, the School District's student enrollment has risen and fallen. These fluctuations make it very difficult to forecast an accurate financial picture of the School District. The transient nature of the School District's residents and students choosing one of the above mentioned alternatives to public education makes estimating the number of students to be funded through the school foundation program difficult. The School District had experienced a decline in enrollment for several fiscal years; however, in the last few fiscal years we have experienced a slight gain each fiscal year.

The School District continues to demonstrate fiscal responsibility by doing whatever is necessary to keep the School District in the "black". The School District is proud to have an "effective" rating for the sixth consecutive fiscal year on the State mandated Report Card. Parents, students and staff are to be commended for the commitment of a quality education for the students of the School District. 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, 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 Debbie Lawwell, 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, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,198,972
Accrued Interest Receivable	23,513
Accounts Receivable	7,789
Materials and Supplies Inventory	1,770
Inventory Held for Resale	18,862
Intergovernmental Receivable	118,799
Property Taxes Receivable	3,326,125
Deferred Charges	45,999
Capital Assets:	
Land	426,976
Depreciable Capital Assets, Net	<u>16,264,400</u>
<i>Total Assets</i>	<u>22,433,205</u>
Liabilities	
Accounts Payable	38,972
Accrued Wages and Benefits Payable	1,154,045
Contracts Payable	37,228
Intergovernmental Payable	359,784
Deferred Revenue	2,925,074
Matured Compensated Absences Payable	47,422
Accrued Interest Payable	5,103
Long-Term Liabilities:	
Due Within One Year	333,237
Due in More Than One Year	<u>2,560,372</u>
<i>Total Liabilities</i>	<u>7,461,237</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	14,715,011
Restricted for:	
Capital Projects	475,920
Debt Service	432,455
Classroom Facilities	323,838
Other Purposes	163,638
Library Materials and Services:	
Expendable	48,563
Nonexpendable	300,000
Unrestricted (Deficit)	<u>(1,487,457)</u>
<i>Total Net Assets</i>	<u>\$14,971,968</u>

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues		Net(Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	
Governmental Activities				
Instruction:				
Regular	\$6,243,494	\$512,952	\$104,708	(\$5,625,834)
Special	1,267,840	0	892,892	(374,948)
Vocational	115,989	0	35,603	(80,386)
Support Services:				
Pupils	464,217	0	20,722	(443,495)
Instructional Staff	981,866	0	132,170	(849,696)
Board of Education	47,910	0	0	(47,910)
Administration	1,451,162	0	2,533	(1,448,629)
Fiscal	306,670	0	273	(306,397)
Business	7,691	0	0	(7,691)
Operation and Maintenance of Plant	1,340,989	2,165	8,382	(1,330,442)
Pupil Transportation	954,773	0	14,176	(940,597)
Central	46,588	0	15,929	(30,659)
Operation of Non-Instructional Services:				
Food Service Operations	504,284	313,731	247,476	56,923
Extracurricular Activities	342,917	90,268	0	(252,649)
Interest and Fiscal Charges	126,912	0	0	(126,912)
<i>Total Governmental Activities</i>	<u>\$14,203,302</u>	<u>\$919,116</u>	<u>\$1,474,864</u>	<u>(11,809,322)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes			2,628,098	
Debt Service			239,655	
Capital Outlay			336,855	
Classroom Facilities Maintenance			55,779	
Grants and Entitlements not				
Restricted to Specific Programs			7,071,227	
Gifts and Donations			15,525	
Investment Earnings			147,591	
Miscellaneous			102,308	
<i>Total General Revenues</i>			<u>10,597,038</u>	
			<i>Change in Net Assets</i>	
			(1,212,284)	
			<i>Net Assets at Beginning of Year</i>	
			<u>16,184,252</u>	
			<i>Net Assets at End of Year</i>	
			<u>\$14,971,968</u>	

See Accompanying Notes to the Basic Financial Statements

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East Clinton Local School District

Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Bond Retirement Fund	Permanent Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$432,698	\$413,036	\$466,159
Materials and Supplies Inventory	0	0	0
Inventory Held for Resale	0	0	0
Accrued Interest Receivable	20,164	0	0
Accounts Receivable	7,789	0	0
Interfund Receivable	0	0	4,122
Intergovernmental Receivable	0	0	0
Property Taxes Receivable	2,686,125	232,837	350,144
	<u> </u>	<u> </u>	<u> </u>
<i>Total Assets</i>	<u>\$3,146,776</u>	<u>\$645,873</u>	<u>\$820,425</u>
Liabilities			
Accounts Payable	\$19,319	\$0	\$11,043
Accrued Wages and Benefits Payable	1,032,544	0	0
Contracts Payable	0	0	25,878
Matured Compensated Absences Payable	47,422	0	0
Retirement Incentive Payable	0	0	0
Interfund Payable	0	4,122	0
Intergovernmental Payable	320,951	0	0
Deferred Revenue	2,528,070	217,030	325,728
	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities</i>	<u>3,948,306</u>	<u>221,152</u>	<u>362,649</u>
Fund Balances			
Reserved for Encumbrances	14,671	0	201,555
Reserved for Property Taxes	176,644	15,807	24,416
Reserved for Library Materials and Services	0	0	0
Unreserved, Undesignated (Deficit), Reported in:			
General Fund	(992,845)	0	0
Special Revenue Funds	0	0	0
Debt Service Fund	0	408,914	0
Capital Projects Funds	0	0	231,805
Permanent Fund	0	0	0
	<u> </u>	<u> </u>	<u> </u>
<i>Total Fund Balances (Deficit)</i>	<u>(801,530)</u>	<u>424,721</u>	<u>457,776</u>
	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,146,776</u>	<u>\$645,873</u>	<u>\$820,425</u>

See Accompanying Notes to the Basic Financial Statements

All Other Governmental Funds	Total Governmental Funds
\$887,079	\$2,198,972
1,770	1,770
18,862	18,862
3,349	23,513
0	7,789
0	4,122
118,799	118,799
57,019	3,326,125
<u>\$1,086,878</u>	<u>\$5,699,952</u>
\$8,610	\$38,972
121,501	1,154,045
11,350	37,228
0	47,422
0	0
0	4,122
38,833	359,784
105,788	3,176,616
<u>286,082</u>	<u>4,818,189</u>
36,712	252,938
3,967	220,834
300,000	300,000
0	(992,845)
413,568	413,568
0	408,914
0	231,805
46,549	46,549
<u>800,796</u>	<u>881,763</u>
<u>\$1,086,878</u>	<u>\$5,699,952</u>

East Clinton Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008

Total Governmental Fund Balances \$881,763

***Amounts reported for governmental activities in the
 Statement of Net Assets are different because:***

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

Land	426,976	
Other capital assets	26,632,745	
Accumulated depreciation	(10,368,345)	
Total capital assets	16,691,376	16,691,376

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	180,217	
Intergovernmental	49,548	
Interest	21,777	
	251,542	251,542

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 45,999

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

Bonds payable	(1,984,998)	
Accretion on capital appreciation bonds	(217,913)	
Premium on debt issue	(232,110)	
Deferred gain on refunding	194,744	
Accrued interest on bonds	(5,103)	
Special termination benefit	(314,221)	
Compensated absences	(339,111)	
Total liabilities	(2,898,712)	(2,898,712)

Net Assets of Governmental Activities \$14,971,968

See Accompanying Notes to the Basic Financial Statements

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East Clinton Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General Fund	Bond Retirement Fund	Permanent Improvement Fund
Revenues			
Property Taxes	\$2,638,175	\$235,043	\$342,343
Intergovernmental	7,548,351	9,856	50,506
Interest	116,297	0	0
Tuition and Fees	512,952	0	0
Rent	2,165	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	15,525	0	0
Customer Sales and Services	0	0	0
Miscellaneous	29,299	415	692
<i>Total Revenues</i>	<u>10,862,764</u>	<u>245,314</u>	<u>393,541</u>
Expenditures			
Current:			
Instruction:			
Regular	5,513,974	0	84,568
Special	757,163	0	0
Vocational	105,992	0	0
Support Services:			
Pupils	434,259	0	0
Instructional Staff	804,035	0	0
Board of Education	47,910	0	0
Administration	969,068	0	0
Fiscal	288,478	6,296	9,945
Business	7,691	0	0
Operation and Maintenance of Plant	1,209,255	0	167,236
Pupil Transportation	858,756	0	45,275
Central	30,874	0	0
Operation of Non-Instructional Services:			
Food Service Operations	0	0	6,816
Extracurricular Activities	224,660	0	0
Debt Service			
Principal Retirement	0	240,000	0
Interest and Fiscal Charges	0	63,635	0
<i>Total Expenditures</i>	<u>11,252,115</u>	<u>309,931</u>	<u>313,840</u>
<i>Net Change in Fund Balances</i>	(389,351)	(64,617)	79,701
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>(412,179)</u>	<u>489,338</u>	<u>378,075</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>(\$801,530)</u></u>	<u><u>\$424,721</u></u>	<u><u>\$457,776</u></u>

See Accompanying Notes to the Basic Financial Statements

<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$55,752	\$3,271,313
959,575	8,568,288
18,725	135,022
0	512,952
0	2,165
90,268	90,268
0	15,525
313,731	313,731
71,902	102,308
<u>1,509,953</u>	<u>13,011,572</u>
107,920	5,706,462
500,369	1,257,532
0	105,992
20,792	455,051
183,233	987,268
0	47,910
94,186	1,063,254
1,639	306,358
0	7,691
52,963	1,429,454
4,133	908,164
15,759	46,633
479,731	486,547
88,774	313,434
0	240,000
0	63,635
<u>1,549,499</u>	<u>13,425,385</u>
(39,546)	(413,813)
<u>840,342</u>	<u>1,295,576</u>
<u>\$800,796</u>	<u>\$881,763</u>

East Clinton Local School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds (\$413,813)

**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:

Capital assets additions	223,184	
Depreciation expense	(884,669)	
Excess of depreciation expense over capital outlay		(661,485)

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	(10,926)	
Intergovernmental	(22,197)	
Interest	12,569	
		(20,554)

Governmental funds report bond issuance costs and premiums as expenditures, whereas these amounts are deferred and amortized in in the Statement of Activities. The difference between the reacquisition price and the net carrying amount of the refunded debt is amortized in the Statement of Activities.

Amortization of bond issuance costs	(5,111)	
Amortization of deferred amount on refunding	(19,474)	
Amortization of bond premium	25,790	
		1,205

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

Principal retirement		240,000
----------------------	--	---------

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:

Increase in special termination benefit	(314,221)	
Decrease in compensated absences payable	21,066	
Decrease in accrued interest payable	400	
Accretion on bonds	(64,882)	
Total (increase)/decrease		(357,637)

Change in Net Assets of Governmental Activities (\$1,212,284)

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,701,605	\$2,654,590	\$2,654,590	\$0
Intergovernmental	7,051,888	7,549,645	7,549,645	0
Interest	87,005	93,146	93,146	0
Tuition and Fees	479,483	513,327	513,327	0
Rent	2,022	2,165	2,165	0
Gifts and Donations	14,501	15,525	15,525	0
Miscellaneous	26,059	27,898	27,898	0
<i>Total Revenues</i>	<u>10,362,563</u>	<u>10,856,296</u>	<u>10,856,296</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	4,916,758	5,104,352	5,023,708	80,644
Special	741,124	894,517	757,138	137,379
Vocational	111,044	116,880	113,499	3,381
Other	465,536	345,400	475,830	(130,430)
Support Services:				
Pupils	407,241	377,790	415,490	(37,700)
Instructional Staff	796,164	739,047	813,769	(74,722)
Board of Education	50,932	40,720	47,801	(7,081)
Administration	902,976	954,438	922,221	32,217
Fiscal	282,611	265,522	288,853	(23,331)
Business	7,525	10,000	7,691	2,309
Operation and Maintenance of Plant	1,285,512	1,288,525	1,226,368	62,157
Pupil Transportation	877,570	849,399	844,158	5,241
Central	30,725	37,770	31,128	6,642
Extracurricular Activities	220,044	218,849	224,579	(5,730)
<i>Total Expenditures</i>	<u>11,095,762</u>	<u>11,243,209</u>	<u>11,192,233</u>	<u>50,976</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(733,199)</u>	<u>(386,913)</u>	<u>(335,937)</u>	<u>50,976</u>
Other Financing Sources				
Refund of Prior Year Expenditures	2,567	2,567	2,567	0
Advances In	17,000	17,000	0	(17,000)
<i>Total Other Financing Sources</i>	<u>19,567</u>	<u>19,567</u>	<u>2,567</u>	<u>(17,000)</u>
<i>Net Change in Fund Balance</i>	(713,632)	(367,346)	(333,370)	33,976
<i>Fund Balance at Beginning of Year</i>	585,263	585,263	585,263	0
<i>Prior Year Encumbrances Appropriated</i>	<u>145,664</u>	<u>145,664</u>	<u>145,664</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$17,295</u>	<u>\$363,581</u>	<u>\$397,557</u>	<u>\$33,976</u>

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,141	\$50,153
Liabilities		
Undistributed Monies	0	\$50,153
Net Assets		
Held in Trust for Scholarships	12,141	
<i>Total Net Assets</i>	\$12,141	

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, 2008

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$988
Deductions	
Payments in Accordance with Trust Agreements	500
<i>Change in Net Assets</i>	488
<i>Net Assets at Beginning of Year</i>	11,653
<i>Net Assets at End of Year</i>	\$12,141

See Accompanying Notes to the Basic Financial Statements

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East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008

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 form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The Board controls the School District’s four instructional support facilities staffed by 79 non-certified employees, 104 teaching personnel and six administrative employees providing education to 1,509 students.

Reporting Entity

The 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 six organizations, four of which are defined as jointly governed organizations, one as an insurance purchasing pool and one as a public entity shared risk pool. These organizations are the Miami Valley Educational Computer Association, the Great Oaks Institute of Technology and Career Development, the Southern Buckeye Conference, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan and the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust. These organizations are presented in Notes 14 and 15 to the basic financial statements.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, 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 are 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 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, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds 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 records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid 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 Funds:

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.

Bond Retirement 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.

Permanent Improvement Capital Projects Fund - This fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, of the Ohio Revised Code.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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.

C. Measurement Focus

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 (e.g., revenues) and decreases (e.g., 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

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 funds 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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, student fees, grants and accrued 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, 2008, but which were levied to finance fiscal year 2009 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, 2008
(Continued)

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

E. Budgetary Process

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

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. Prior to fiscal year-end, the School District passed an amended certificate that matched final budgeted revenues to actual revenues for the fiscal year in the General Fund.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

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. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

During fiscal year 2008, the School District’s investments were limited to certificates of deposit, Goldman Sachs Financial Square Money Market Mutual Fund, iShares Lehman U.S. Treasury Money Market Mutual Fund Securities Bond Fund, U.S. Treasury Money Market Mutual Fund, negotiable certificates of deposit, Federal Home Loan Bank Bonds, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Medium Term Notes, Federal Farm Credit Bank Notes and a repurchase agreement. 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 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 2008 amounted to \$116,297, which includes \$71,491 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 cash equivalents.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of purchased and donated food held for resale and consumable supplies.

H. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand 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:

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

I. 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.

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

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 who have accumulated leave are paid. The unmatured portion of the liability is not reported.

J. Accrued Liabilities and Long-term Obligations

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 fiscal year. Bonds are recognized as an expenditure and liability on the government-wide financial statements when due.

K. 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. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants restricted to expenditures for specified purposes.

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

The government-wide Statement of Net Assets reports \$1,744,414 of restricted net assets, none of which is restricted by enabling legislation.

L. Fund Balance Reserves

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

M. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

N. Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as a reduction/addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

On the governmental fund financial statements, bond premiums, issuance costs, and compounded interest on capital appreciation bonds are recognized in the current period.

O. Gain/Loss on Advance Refunding

On the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an increase/reduction of the face amount of the new debt.

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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 3 - ACCOUNTABILITY

The General Fund and Career Education Special Revenue Fund had deficit fund balances of \$801,530 and \$965, respectively, for the fiscal year ended June 30, 2008. The deficits were created by the recognition of accrued liabilities related to accrued wages and intergovernmental payables on those accrued wages. The School District is monitoring the General Fund deficit and taking action to conserve resources. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance 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 Balance – 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 (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. The decrease in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance

GAAP Basis	(\$389,351)
Adjustments:	
Revenue Accruals	16,191
Net Decrease in Fair Value of Investments - Fiscal Year 2007	(12,560)
Net Increase in Fair Value of Investments - Fiscal Year 2008	(7,532)
Expenditure Accruals	83,640
Encumbrances	(23,758)
Budget Basis	<u><u>(\$333,370)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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 or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2008, the School District had the following investments, which are in an internal investment pool:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-3	3-5
Goldman Sachs Financial Square Money Market Mutual Fund	\$37,489	\$37,489	\$0	\$0
iShares Lehman U.S. Treasury Money Market Mutual Fund				
Securities Bond Fund	29,659	29,659	0	0
U.S. Treasury Money Market Mutual Fund	45,963	45,963	0	0
Negotiable Certificates of Deposit	1,358,702	1,112,933	195,488	50,281
Federal Home Loan Bank Bonds	254,219	254,219	0	0
Federal Home Loan Bank Notes	325,625	274,570	51,055	0
Federal Home Loan Mortgage Corporation Medium Term Notes	50,686	50,686	0	0
Federal Farm Credit Bank Notes	75,398	75,398	0	0
Repurchase Agreement	326,642	326,642	0	0
Total Investments	<u>\$2,504,383</u>	<u>\$2,207,559</u>	<u>\$246,543</u>	<u>\$50,281</u>

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily.

Credit Risk

The Goldman Sachs Financial Square Money Market Mutual Fund, iShares Lehman U.S. Treasury Money Market Mutual Fund, Securities Bond Fund, U.S. Treasury Money Market Mutual Fund, Federal Home Loan Bank Bonds, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Medium Term Notes and Federal Farm Credit Bank Notes carry ratings of AAA by Moody's. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. Of the School District's total investments, 54 percent, 10 percent 13 percent and 13 percent is invested in negotiable certificates of deposit, Federal Home Loan Bank Bonds, Federal Home Loan Bank Notes and a repurchase agreement, respectively.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 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 year 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. 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 and Highland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current fiscal year operations.

The amount available as an advance at June 30, 2008, was \$176,644 in the General Fund, \$15,807 in the Bond Retirement Fund, \$24,416 in the Permanent Improvement Fund, and \$3,967 in the Classroom Facilities Maintenance Fund. The amount available as an advance at June 30, 2007, was \$184,002 in the General Fund, \$16,473 in the Bond Retirement Fund, \$25,482 in the Permanent Improvement Fund, and \$4,143 in the Classroom Facilities Maintenance 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 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$110,107,090	80.93%	\$111,999,950	85.73%
Public Utility	5,232,910	3.84%	4,407,070	3.37%
Tangible Personal Property	20,714,732	15.23%	14,242,001	10.90%
Total Assessed Value	<u>\$136,054,732</u>	<u>100.00%</u>	<u>\$130,649,021</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.40		\$35.40	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of interest, accounts, intergovernmental grants and property taxes. All receivables, except delinquent property taxes, are considered collectible in full and will be received in one year, due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 7 - RECEIVABLES (Continued)

	Amounts
<u>Governmental Activities:</u>	
Title I Grant	\$50,792
Classroom Size Reduction Grant	2,737
Title VI-B - Grant	48,624
Federal Lunchroom Reimbursement	16,646
Total Intergovernmental Receivables	\$118,799

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Deductions	Balance at 6/30/08
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$426,976	\$0	\$0	\$426,976
Capital Assets Being Depreciated:				
Buildings and Improvements	23,055,864	81,035	0	23,136,899
Furniture, Fixtures and Equipment	2,163,434	53,162	(9,471)	2,207,125
Vehicles	1,199,734	88,987	0	1,288,721
Total Capital Assets Being Depreciated	26,419,032	223,184	(9,471)	26,632,745
Less Accumulated Depreciation:				
Buildings and Improvements	(7,310,037)	(624,223)	0	(7,934,260)
Furniture, Fixtures and Equipment	(1,497,094)	(157,695)	9,471	(1,645,318)
Vehicles	(686,016)	(102,751)	0	(788,767)
Total Accumulated Depreciation	(9,493,147)	(884,669) *	9,471	(10,368,345)
Total Capital Assets Being Depreciated, Net	16,925,885	(661,485)	0	16,264,400
Governmental Activities Capital Assets, Net	\$17,352,861	(\$661,485)	\$0	\$16,691,376

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 8 - CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$565,367
Vocational	11,009
Support Services:	
Administration	79,755
Operation and Maintenance of Plant	42,276
Pupil Transportation	129,727
Operation of Non-Instructional Services	18,134
Extracurricular Activities	38,401
Total Depreciation Expense	<u><u>\$884,669</u></u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Arthur J. Gallagher & Co. for property and fleet insurance and liability insurance. The types and amounts of coverage provided at June 30, 2008 follows:

General Liability (Aggregate/Per Occurrence)	\$3,000,000/1,000,000
Employee Benefits	3,000,000
School Board Legal	1,000,000
Employment Practice	1,000,000
Sexual Abuse	1,000,000
Business Auto (Per Occurrence)	1,000,000
Excess Property (Per Occurrence)	300,000,000
Flood	4,000,000
Earthquake	4,000,000
Boiler and Machinery	100,000,000
Excess Liability (Per Occurrence)	5,000,000

Settled claims have not exceeded this coverage in any of the past three fiscal years. There has been a change in coverage from the prior year due to a change in the School District's insurance company.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 9 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The GRP is divided into numerous tiers based on participants' experience. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP tier. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

C. Medical and Dental Benefits

For fiscal year 2008, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool consisting of 55 school districts (Note 15). The School District pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$164,001, \$192,701 and \$172,360 respectively; 50.76 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$733,109, \$680,125, and \$677,293 respectively; 83.31 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$344 made by the School District and \$16,821 made by the plan members.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$103,386, \$105,388, and \$87,962 respectively; 50.76 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$11,817, \$11,864, and \$12,089 respectively; 50.76 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description – The School District contributes to the cost-sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$56,393, \$52,317, and \$52,099 respectively; 83.31 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 12 - 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 fiscal 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 12 - EMPLOYEE BENEFITS (Continued)

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. An employee who has the maximum number of sick leave days accumulated at the time of retirement, shall receive an additional three days severance.

B. Insurance Benefits

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

C. Retirement Incentive

The School District offers a retirement incentive for certified employees who retire in the fiscal year they are first eligible. Eligible employees receive a \$12,000 lump sum payment. The Board may make the payment in two equal installments. The first payment shall be made within 15 days of the Treasurer's receipt of written confirmation from STRS that the employee is retired and receiving STRS benefits. The second payment shall be made the following January.

D. Special Termination Benefit

The School District is offering a special termination benefit to certified and classified employees who have 12 or more years of service with the School District as of June 30, 2008 and agree to resign or retire from the School District by June 30, 2009. The benefit is \$45,000 (three payments) for certified employees. For classified employees, the benefit is 100 percent of his/her base salary, not to exceed \$15,000 (three payments). During fiscal year 2008, five employees retired or resigned and four employees accepted the benefit with an effective date of June 30, 2009. No payments were made prior to June 30, 2008. The outstanding balance at June 30, 2008 was \$314,221. Of this balance, \$54,221 will be paid on October 15, 2008.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Amount Outstanding 6/30/2007	Additions	Deductions	Amount Outstanding 6/30/2008	Amounts Due in One Year
<u>Governmental Activities:</u>					
2003 School Improvement					
Refunding Bonds:					
Serial Bonds 1.50%-4.10%	\$2,080,000	\$0	\$240,000	\$1,840,000	\$240,000
Capital Appreciation Bonds 16.56%	144,998	0	0	144,998	0
Accretion on Capital					
Appreciation Bonds	153,031	64,882	0	217,913	0
Premium on Debt Issuance	257,900	0	25,790	232,110	0
Deferred Gain on Refunding	(214,218)	0	(19,474)	(194,744)	0
Special Termination Benefits	0	314,221	0	314,221	54,221
Compensated Absences	360,177	299,483	320,549	339,111	39,016
TOTAL - Governmental Activities					
Long-term Obligations	<u>\$2,781,888</u>	<u>\$678,586</u>	<u>\$566,865</u>	<u>\$2,893,609</u>	<u>\$333,237</u>

School Improvement Refunding Bonds 2003

On October 28, 2003, the School District issued \$2,899,998 in general obligation bonds for the purpose of advance refunding the 1995 School Improvement Bonds. Of these bonds, \$2,755,000 are serial bonds and \$144,998 are capital appreciation bonds. The bonds were issued for a 14 year period, with final maturity in December 2017. The bonds will be retired from the Debt Service Fund.

The serial bonds maturing December 1, 2016 and December 1, 2017 are subject to optional redemption, in whole or in part on any date in any order of maturity on or after December 1, 2013 at par, which is 100 percent of the face value of the bonds.

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal years 2014 through 2016. The maturity amount of the capital appreciation bonds will be \$275,000 in 2014 and \$280,000 per fiscal year in 2015 and 2016. For fiscal year 2008, the capital appreciation bonds were accreted \$64,882.

The School District defeased the 1995 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2008, all bonds were called and paid.

Compensated absences will be paid from the General and Food Service Funds.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The School District's voted legal debt margin was \$8,837,915 with an unvoted debt margin of \$115,490 at June 30, 2008.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2008, are as follows:

School Improvement Refunding Bonds 2003

Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Capital		Total
			Appreciation Bonds Principal	Capital Appreciation Bonds Interest	
2009	\$240,000	\$61,235	\$0	\$0	\$301,235
2010	245,000	55,235	0	0	300,235
2011	255,000	48,498	0	0	303,498
2012	260,000	40,720	0	0	300,720
2013	270,000	32,270	0	0	302,270
2014-2018	570,000	34,980	144,998	690,002	1,439,980
Total	<u>\$1,840,000</u>	<u>\$272,938</u>	<u>\$144,998</u>	<u>\$690,002</u>	<u>\$2,947,938</u>

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. Miami Valley Educational Computer Association

The Educational Service Center is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Educational Service Center paid MVECA \$44,914 for services provided during fiscal year 2008. Financial information can be obtained from Dean Reineke, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

B. 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. Great Oaks offers career technical programs to high school juniors and seniors of the School District. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 E. Kemper Road, Cincinnati, OH 45241-1581.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Southern Buckeye Conference

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

D. Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council 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. Any district withdrawing from the SOEPC forfeits 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 during the one year period. Payments to SOEPC are made from the General Fund. During fiscal year 2008, the School District paid \$916 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 15 - INSURANCE PURCHASING POOL AND PUBLIC ENTITY SHARED RISK POOL

A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP's business and affairs are conducted by the Southwestern Ohio Educational Purchasing Cooperative and the participating members of the GRP. The Benefits Administrator of the SOEPC coordinates the management and administration of the GRP. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 15 - INSURANCE PURCHASING POOL AND PUBLIC ENTITY SHARED RISK POOL (Continued)

B. Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of 55 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust that will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

NOTE 16 - 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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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
Set-aside Reserve Balance as of June 30, 2007	(\$621,174)	\$0
Current Fiscal Year Set-aside Requirement	216,834	216,834
Current Fiscal Year Offsets	0	(371,829)
Qualifying Disbursements	(298,639)	0
Totals	(\$702,979)	(\$154,995)
Set-aside Reserve Balance as of June 30, 2008	\$0	(\$154,995)
Required Set-aside Balances Carried Forward to FY 2009	(\$702,979)	\$0

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year-Ended June 30, 2008
(Continued)

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is not currently party to legal proceedings.

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	None	10.550	\$ -	\$22,300	\$ -	\$22,300
Nutrition Cluster:						
National School Breakfast Program	05PU-2007	10.553	5,378	----	5,378	----
	05PU-2008		42,427	----	42,427	----
National School Lunch	LLP4-2007	10.555	16,700	----	16,700	----
	LLP4-2008		144,941	----	144,941	----
Special Milk Program	02PU-2007	10.556	262	----	262	----
	02PU-2008		658	----	658	----
Total U.S. Department of Agriculture			210,366	22,300	210,366	22,300
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education:</i>						
Education Consolidation and Improvement Act						
Title I - FY 07	C1-S1-07	84.010	14,659	----	39,107	----
Title I - FY 08	C1-S1-08		269,492	----	264,041	----
<i>Total Title I</i>			284,151	----	303,148	----
Special Education Cluster:						
Special Education Grants to States						
Title VI B - FY07	6BSF-07	84.027	12,127	----	44,413	----
Title VI B - FY08	6BSF-08		308,847	----	308,651	----
Educational Handicapped Preschool						
Preschool Subsidy - FY 07	PG-S1-07	84.173	0	----	108	----
Preschool Subsidy - FY 08	PG-S1-08		6,032	----	6,032	----
<i>Total Special Education Cluster</i>			327,006	----	359,204	----
Safe and Drug Free Schools						
Drug Free Education - Subsidy - FY 07	DR-S1-07	84.186	14	----	2,250	----
Drug Free Education - Subsidy - FY 08	DR-S1-08		6,395	----	6,000	----
<i>Total Drug Free School Grants</i>			6,409	----	8,250	----
Innovative Educational Program Strategies						
Innovative Program Title V FY07	C2-S1-07	84.298	-276	----	992	----
Innovative Program Title V FY08	C2-S1-08		5,628	----	575	----
<i>Total Innovative Ed</i>			5,352	----	1,567	----
Additional Programs:						
Educational Technology - FY 07	TJ-S1-07	84.318	-18	----	59	----
Educational Technology - FY 08	TJ-S1-08		5,058	----	4,404	----
Improving Teacher Quality - FY 07	TR-S1-07	84.367	-2,164	----	9,002	----
Improving Teacher Quality - FY 08	TR-S1-08		52,010	----	43,579	----
<i>Total Additional Programs</i>			54,886	----	57,044	----
Total Department of Education			677,804	----	729,213	----
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$888,170	\$22,300	\$939,579	\$22,300

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

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DONATED PROGRAM

Program regulations do not require the District to maintain separate inventory records of purchased food and food received from the U.S. Department of Agriculture. The non-monetary assistance (expenditure), is reported in the Schedule at the fair value of the commodities received.

NOTE C – CHILD NUTRITION CLUSTER

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



Mary Taylor, CPA

Auditor of State

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

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 governmental activities, each major fund, and the aggregate remaining fund information of East Clinton Local School District, Clinton County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated May 26, 2009.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated May 26, 2009.

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

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

Mary Taylor, CPA
Auditor of State

May 26, 2009



Mary Taylor, CPA

Auditor of State

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

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 apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the East Clinton Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

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

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated May 26, 2009.

We intend this report solely for the information and use of the District's elected officials, management, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 26, 2009

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY
JUNE 30, 2008**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	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



Mary Taylor, CPA
Auditor of State

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
JUNE 11, 2009