

Clay Local School District
Scioto County, Ohio

Single Audit

July 1, 2008 through June 30, 2009
Fiscal Year Audited Under GAGAS: 2009



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Education
Clay Local School District
44 Clay High Street
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the Clay Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Clay Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 3, 2010

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Clay Local School District
Scioto County, Ohio

Table of Contents

Independent Auditor’s Report	1-2
Management’s Discussion and Analysis.....	3-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	17
Statement of Fiduciary Net Assets – Fiduciary Funds	18
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	19
Notes to the Basic Financial Statements	20
Schedule of Federal Awards Receipts and Expenditures.....	53
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	54
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	55-56
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	57-58
Schedule of Findings – OMB Circular A-133 §.505.....	59
Independent Auditor’s Report on Applying Agreed-Upon Procedures.....	60-61



Independent Auditor's Report

Members of the Board
Clay Local School District
44 Clay High Street
Portsmouth, OH 45662

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay Local School District, Scioto County, (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 that our audit provides a reasonable basis for our opinions.

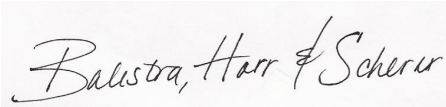
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position thereof, 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 December 18, 2009 on our consideration of the School 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.

Members of the Board
Clay Local School District
Independent Auditor's Report
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures 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 "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 18, 2009

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

As management of the Clay 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, 2009. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- Net assets of governmental activities increased \$17,532,665, which represents a significant increase from the prior fiscal year. The biggest difference is related to an increase in intergovernmental receivables due to the Ohio School Facilities Commission Grant that the School District was awarded for the construction of its new facility.
- General revenues accounted for \$22,543,166. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,240,697 of total revenues of \$24,783,863.
- The School District had \$7,251,198 in expenses related to governmental activities; only \$2,240,697 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues (primarily grants, entitlements and property taxes) of \$22,543,166 were more than adequate to provide for these programs.

Using the Basic Financial Statements

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other nonmajor funds presented in total in one column. The major funds for the Clay Local School District are the General Fund and the Ohio School Facilities Construction Project Capital Projects Fund.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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 fiscal year 2009?”

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

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 Statements of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds – The School District's fiduciary funds are a private purpose trust fund and an agency 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. Fiduciary funds use the accrual basis of accounting.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

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 fiscal years 2009 and 2008:

(Table 1)
Net Assets

	<u>Governmental Activities</u>	<u>Increase/</u>	
	<u>2009</u>	<u>2008</u>	<u>(Decrease)</u>
Assets			
Current Assets	\$25,629,752	\$2,706,702	\$22,923,050
Capital Assets, Net	1,596,334	1,564,918	31,416
Total Assets	<u>27,226,086</u>	<u>4,271,620</u>	22,954,466
Liabilities			
Other Liabilities	1,827,888	1,820,458	7,430
Long-Term Liabilities	6,086,753	672,382	5,414,371
Total Liabilities	<u>7,914,641</u>	<u>2,492,840</u>	5,421,801
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,444,334	1,280,918	163,416
Restricted	18,038,295	229,751	17,808,544
Unrestricted (Deficit)	(171,184)	268,111	(439,295)
Total Net Assets	<u>\$19,311,445</u>	<u>\$1,778,780</u>	<u>\$17,532,665</u>

Total assets of governmental activities increased \$22,954,466. This increase is reflected primarily in current assets, and for fiscal year 2009, almost entirely involved the intergovernmental receivable account. The primary factor for this increase is the Ohio School Facilities Commission Grant that the School District was awarded for the construction of its new facility. Capital assets increased \$31,416 due primarily to an increase in construction in progress relating to the construction of the School District's new facility.

Total liabilities also had a significant increase of \$5,421,801 for fiscal year 2009 when compared to the prior fiscal year. A significant increase occurred within long-term liabilities of the School District due to the issuance of general obligation bonds by the School District.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Invested in capital assets, net of related debt for governmental activities increased \$163,416. The increase is due to construction in progress relating to the classroom facilities project. Restricted net assets increased \$17,808,544 as a result of the School District recognizing revenue relating to the Ohio School Facilities Commission Grant that has not been spent and having unspent bond proceeds at fiscal year-end. Unrestricted net assets for governmental activities decreased \$439,295 which resulted primarily from the School District's need to utilize unrestricted resources to support its financing activities.

Table 2 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, operating and capital grants, contributions, and interest. General Revenues include property taxes, unrestricted grants, such as State foundation support, unrestricted contributions, investment earnings and miscellaneous revenues.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

(Table 2)
Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008	Increase/ (Decrease)
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,235,670	\$1,257,142	(\$21,472)
Operating Grants, Contributions, and Interest	999,772	891,264	108,508
Capital Grants and Contributions	5,255	3,470	1,785
Total Program Revenues	<u>2,240,697</u>	<u>2,151,876</u>	<u>88,821</u>
General Revenues:			
Property Taxes Levied for:			
General Purposes	948,810	957,906	(9,096)
Debt Service	201,299	0	201,299
Capital Outlay	56,366	182,500	(126,134)
Other Purposes	15,976	0	15,976
Grants and Entitlements not Restricted to Specific Programs	20,987,939	2,678,430	18,309,509
Contributions and Donations	5,428	10,679	(5,251)
Interest	146,669	46,398	100,271
Miscellaneous	180,679	137,815	42,864
Total General Revenues	<u>22,543,166</u>	<u>4,013,728</u>	<u>18,529,438</u>
Total Revenues	<u>\$24,783,863</u>	<u>\$6,165,604</u>	<u>\$18,618,259</u>

(continued)

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

(Table 2)
Change in Net Assets
(continued)

	Governmental Activities 2009	Governmental Activities 2008	Increase/ (Decrease)
Program Expenses			
Instruction:			
Regular	\$3,460,819	\$3,144,051	\$316,768
Special	561,700	455,532	106,168
Vocational	14,679	28,227	(13,548)
Student Intervention Services	110,914	193,711	(82,797)
Support Services:			
Pupils	367,831	342,727	25,104
Instructional Staff	344,386	238,201	106,185
Board of Education	17,505	20,737	(3,232)
Administration	577,352	514,917	62,435
Fiscal	239,616	175,588	64,028
Operation and Maintenance of Plant	473,970	417,745	56,225
Pupil Transportation	341,362	286,096	55,266
Central	33,086	32,429	657
Operation of Non-Instructional Services:			
Food Service Operations	305,997	290,853	15,144
Extracurricular Activities	121,133	136,940	(15,807)
Interest and Fiscal Charges	280,848	11,981	268,867
Total Expenses	<u>7,251,198</u>	<u>6,289,735</u>	<u>961,463</u>
Change in Net Assets	17,532,665	(124,131)	17,656,796
Net Assets at Beginning of Year	<u>1,778,780</u>	<u>1,902,911</u>	<u>(124,131)</u>
Net Assets at End of Year	<u><u>\$19,311,445</u></u>	<u><u>\$1,778,780</u></u>	<u><u>\$17,532,665</u></u>

Governmental Activities

Program Revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues were \$2,240,697 of total revenues for fiscal year 2009 and varied insignificantly from fiscal year 2008.

As previously mentioned, General Revenues were \$22,543,166 of total revenues for fiscal year 2009 and were significantly greater than the prior fiscal year. Grants and Entitlements Not Restricted to Specific Programs increased \$18,309,509 from the prior fiscal year. This increase resulted from the School District receiving its Ohio School Facilities Grant award.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

As should be expected, instruction costs represent the largest of the School District's expenses, \$4,148,112 for fiscal year 2009. A significant increase occurred when examining Regular Instruction.

This was primarily due to the School District choosing not to capitalize the preliminary expenses associated with its construction project. The instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including Pupils, Instructional Staff, and Pupil Transportation account for \$1,053,579 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of \$473,970. A significant increase occurred within Interest and Fiscal Charges when compared to the prior fiscal year. This is related to the School District incurring costs associated with the retirement of its notes, as well as making a semi-annual interest payment on its bonds prior to fiscal year-end.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,321,563 and expenditures of \$7,460,676. The net change in fund balance for the fiscal year was most significant in the Ohio School Facilities Construction Project Capital Projects Fund, an increase of \$5,799,882 which, as previously stated, was the result of the Ohio School Facilities Commission Grant that the School District will be receiving and proceeds from general obligation bonds issued by the School District for the construction of its new facility. The General Fund balance decreased \$230,357. While the General Fund's expenditures were consistent with those of the previous year, the revenues of the General Fund decreased \$62,324. However, the decrease in revenues is not related to one particular account of the School District, but a combination of insignificant decreases experienced within intergovernmental revenues, investment earnings, and tuition and fees revenues.

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. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2009, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A review of the budgetary comparison statement for the General Fund reflects a decrease of \$384,854 between the original budget and final budget for revenues. This decrease is primarily the result of the School District initially estimating to receive greater monies through its State foundation settlements. No change existed for revenues from the final budget to actual revenues received during the fiscal year.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Final estimated expenditures were \$5,069,582, with original estimated expenditures of \$6,206,719. This difference of \$1,137,137 was due primarily to the School District attempting to monitor expenditures more closely throughout the fiscal year. No change existed for expenditures from the final budget to actual expenditures made during the fiscal year.

Capital Assets

At the end of fiscal year 2009, the School District had \$1,596,334 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, textbooks and vehicles. The increase was mainly due to construction in progress relating to the School District starting construction on its new facility.

For more information on capital assets, refer to Note 8 in the notes to the basic financial statements.

Debt

At June 30, 2009, the School District's outstanding debt obligations included general obligation bonds of \$5,265,000. The bonds will be fully retired in fiscal year 2037. The School District also had an outstanding lease-purchase agreement for new school buses and administrative fees in the amount of \$152,000. The School District's long-term obligations also included a premium and accretion on the general obligation bonds and compensated absences.

The School District's overall legal debt margin was (\$570,007) with an unvoted debt margin of \$51,424 at June 30, 2009.

For more detailed information on debt, refer to Note 14 in the notes to the basic financial statements.

Current Issues

The Clay Local School District voters approved a bond levy in March 2008 to provide for the School District's share of an Ohio School Facilities Commission project which will make the vision of new facilities a reality for Clay students. The School District is responsible for 20 percent of the \$22,822,331 project, while the State of Ohio is providing 80 percent. The School District is presently in the planning/design phase with a projected completion date of June 2011.

The Clay Local School District is proud of its student accomplishments. The School District as a whole achieved an Effective rating on its 2008-2009 report card with the individual buildings receiving the following ratings: Clay High School: Effective; Rubyville Elementary School: Effective; and Rosemount Primary School: Effective. In addition, the School District met Adequate Yearly Progress (AYP).

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

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 Betty Applegate, Treasurer at Clay Local School District, 44 Clay High Street, Portsmouth, Ohio 45662, or email applegateb@clay.k12.oh.us.

CLAY LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,087,122
Cash and Cash Equivalents	2,714
Investments	6,637,648
Materials and Supplies Inventory	11,982
Inventory Held for Resale	3,994
Accrued Interest Receivable	15,312
Prepaid Items	7,077
Property Taxes Receivable	1,263,740
Intergovernmental Receivable	16,477,210
Deferred Charges	122,953
Capital Assets:	
Land	36,900
Construction in Progress	139,061
Depreciable Capital Assets, Net	<u>1,420,373</u>
<i>Total Assets</i>	<u>27,226,086</u>
<u>Liabilities:</u>	
Accounts Payable	10,762
Contracts Payable	139,061
Accrued Wages and Benefits Payable	430,165
Intergovernmental Payable	162,509
Accrued Interest Payable	21,013
Deferred Revenue	1,064,378
Long-Term Liabilities:	
Due Within One Year	120,187
Due in More Than One Year	<u>5,966,566</u>
<i>Total Liabilities</i>	<u>7,914,641</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	1,444,334
Restricted for Capital Outlay	17,949,800
Restricted for Other Purposes	88,495
Unrestricted (Deficit)	<u>(171,184)</u>
<i>Total Net Assets</i>	<u>\$19,311,445</u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2009

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Total Governmental Activities	
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$3,460,819	\$1,084,824	\$214,334	\$0	(\$2,161,661)
Special	561,700	0	448,657	0	(113,043)
Vocational	14,679	0	5,656	0	(9,023)
Student Intervention Services	110,914	0	0	0	(110,914)
Support Services:					
Pupils	367,831	25,193	1,899	0	(340,739)
Instructional Staff	344,386	0	87,213	0	(257,173)
Board of Education	17,505	0	0	0	(17,505)
Administration	577,352	0	141	0	(577,211)
Fiscal	239,616	0	0	0	(239,616)
Operation and Maintenance of Plant	473,970	0	11,236	0	(462,734)
Pupil Transportation	341,362	0	9,503	5,255	(326,604)
Central	33,086	0	5,000	0	(28,086)
Operation of Non-Instructional Services:					
Food Service Operations	305,997	92,193	200,627	0	(13,177)
Extracurricular Activities	121,133	33,460	15,506	0	(72,167)
Interest and Fiscal Charges	280,848	0	0	0	(280,848)
<i>Total Governmental Activities</i>	<u>\$7,251,198</u>	<u>\$1,235,670</u>	<u>\$999,772</u>	<u>\$5,255</u>	<u>(5,010,501)</u>
<u>General Revenues:</u>					
Property Taxes Levied for:					
					948,810
					201,299
					56,366
					15,976
Grants and Entitlements not Restricted to Specific Programs:					
					2,730,074
					18,257,865
					5,428
					146,669
					180,679
<i>Total General Revenues</i>					<u>22,543,166</u>
<i>Change in Net Assets</i>					17,532,665
<i>Net Assets at Beginning of Year</i>					1,778,780
<i>Net Assets at End of Year</i>					<u>\$19,311,445</u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2009

	General	Ohio School Facilities Construction Project	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$774,012	\$0	\$307,854	\$1,081,866
Cash and Cash Equivalents	0	2,344	370	2,714
Investments	0	5,923,789	713,859	6,637,648
Receivables:				
Property Taxes	1,092,749	0	170,991	1,263,740
Intergovernmental	0	16,430,759	46,451	16,477,210
Accrued Interest	0	13,272	2,040	15,312
Interfund	1,100	0	0	1,100
Prepaid Items	7,077	0	0	7,077
Materials and Supplies Inventory	10,995	0	987	11,982
Inventory Held for Resale	0	0	3,994	3,994
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	5,256	0	0	5,256
Total Assets	\$1,891,189	\$22,370,164	\$1,246,546	\$25,507,899
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$10,762	\$0	\$0	\$10,762
Contracts Payable	0	139,061	0	139,061
Accrued Wages and Benefits Payable	365,398	0	64,767	430,165
Intergovernmental Payable	142,316	0	20,193	162,509
Interfund Payable	0	0	1,100	1,100
Deferred Revenue	1,025,361	16,431,221	178,893	17,635,475
Total Liabilities	1,543,837	16,570,282	264,953	18,379,072
<u>Fund Balances:</u>				
Reserved for Encumbrances	26,873	636,344	33,815	697,032
Reserved for Property Taxes	67,388	0	22,874	90,262
Reserved for Bus Purchases	5,256	0	0	5,256
Unreserved, Undesignated, Reported in:				
General Fund	247,835	0	0	247,835
Special Revenue Funds	0	0	23,856	23,856
Debt Service Fund	0	0	45,631	45,631
Capital Projects Funds	0	5,163,538	855,417	6,018,955
Total Fund Balances	347,352	5,799,882	981,593	7,128,827
Total Liabilities and Fund Balances	\$1,891,189	\$22,370,164	\$1,246,546	\$25,507,899

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009

Total Governmental Fund Balances \$7,128,827

*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	36,900	
Construction in progress	139,061	
Other capital assets	4,202,505	
Accumulated depreciation	<u>(2,782,132)</u>	
Total capital assets		1,596,334

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.

Delinquent property taxes	109,100	
Intergovernmental	16,461,464	
Interest	<u>533</u>	
		16,571,097

Bond issuance costs reported as an expenditure in governmental funds are recognized as an asset and allocated as an expense over the life of the bonds on a full accrual basis. 122,953

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

General obligation bonds	(5,293,628)	
Capital leases	(152,000)	
Premium on general obligation bonds	(217,749)	
Accrued interest on capital lease	(502)	
Accrued interest on bonds	(20,511)	
Compensated absences	<u>(423,376)</u>	
Total liabilities		<u>(6,107,766)</u>

Net Assets of Governmental Activities \$19,311,445

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Ohio School Facilities Construction Project	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$958,516	\$0	\$263,632	\$1,222,148
Intergovernmental	2,620,246	1,827,106	1,068,321	5,515,673
Interest	26,873	79,534	13,483	119,890
Increase in Fair Value of Investments	0	23,030	3,539	26,569
Tuition and Fees	1,084,824	0	0	1,084,824
Extracurricular Activities	25,193	0	33,460	58,653
Charges for Services	0	0	92,193	92,193
Contributions and Donations	5,428	0	15,506	20,934
Miscellaneous	128,673	0	52,006	180,679
<i>Total Revenues</i>	<u>4,849,753</u>	<u>1,929,670</u>	<u>1,542,140</u>	<u>8,321,563</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,760,625	0	358,832	3,119,457
Special	253,017	0	258,213	511,230
Vocational	17,194	0	0	17,194
Student Intervention Services	35,394	0	44,482	79,876
Support Services:				
Pupils	286,985	0	47,460	334,445
Instructional Staff	222,052	0	89,403	311,455
Board of Education	17,505	0	0	17,505
Administration	515,677	0	2,508	518,185
Fiscal	173,421	5,535	42,263	221,219
Operation and Maintenance of Plant	421,672	0	11,251	432,923
Pupil Transportation	242,870	0	8,216	251,086
Central	25,312	0	0	25,312
Operation of Non-Instructional Services:				
Food Service Operations	0	0	304,394	304,394
Extracurricular Activities	74,237	0	49,423	123,660
Capital Outlay	0	688,719	10,112	698,831
Debt Service:				
Principal Retirement	0	0	132,000	132,000
Interest and Fiscal Charges	0	78,805	157,910	236,715
Issuance Costs	0	0	125,189	125,189
<i>Total Expenditures</i>	<u>5,045,961</u>	<u>773,059</u>	<u>1,641,656</u>	<u>7,460,676</u>
Excess of Revenues Over (Under) Expenditures	<u>(196,208)</u>	<u>1,156,611</u>	<u>(99,516)</u>	<u>860,887</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from General Obligations Bonds	0	4,564,466	700,534	5,265,000
Premium on General Obligation Bonds	0	0	221,712	221,712
Transfers In	0	78,805	154,681	233,486
Transfers Out	(34,149)	0	(199,337)	(233,486)
<i>Total Other Financing Sources (Uses)</i>	<u>(34,149)</u>	<u>4,643,271</u>	<u>877,590</u>	<u>5,486,712</u>
<i>Net Change in Fund Balances</i>	<u>(230,357)</u>	<u>5,799,882</u>	<u>778,074</u>	<u>6,347,599</u>
<i>Fund Balances at Beginning of Year</i>	<u>577,709</u>	<u>0</u>	<u>203,519</u>	<u>781,228</u>
<i>Fund Balances at End of Year</i>	<u>\$347,352</u>	<u>\$5,799,882</u>	<u>\$981,593</u>	<u>\$7,128,827</u>

See accompanying notes to the basic financial statements

CLAY 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, 2009

Net Change in Fund Balances - Total Governmental Funds \$6,347,599

**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	24,013	
Construction in progress additions	139,061	
Depreciation expense	(131,658)	
Excess of capital outlay over depreciation expense		31,416

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	303	
Intergovernmental	16,461,464	
Interest	533	
		16,462,300

The issuance of long-term debt provides current financial resources to governmental funds, but in the Statement of Net Assets, the debt is reported as a liability.

Proceeds of general obligation bonds	(5,265,000)	
Premium on debt issuance	(221,712)	
		(5,486,712)

Governmental funds report bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities. 125,189

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:

Note principal payments	105,000	
Capital lease payments	27,000	
Total long-term debt repayment		132,000

Amortization of bond issuance costs and bond premiums are not reported in the funds, but are allocated as expenses over the life of the debt in the Statement of Activities.

Amortization of bond issuance costs	(2,236)	
Amortization of premium on bonds	3,963	
		1,727

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in the amount of interest on the Statement of Activities when compared to the expenditures reported in governmental funds is the result of the following:

Increase in accrued interest		(17,232)
------------------------------	--	----------

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 compensated absences payable	(34,994)	
Accretion on bonds	(28,628)	
Total increase		(63,622)

Change in Net Assets of Governmental Activities \$17,532,665

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2009

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,035,000	\$925,178	\$925,178	\$0
Intergovernmental	2,820,000	2,620,246	2,620,246	0
Interest	48,000	26,873	26,873	0
Tuition and Fees	1,131,600	1,084,824	1,084,824	0
Extracurricular Activities	25,896	25,193	25,193	0
Contributions and Donations	8,005	5,428	5,428	0
Miscellaneous	130,500	126,405	126,405	0
<i>Total Revenues</i>	5,199,001	4,814,147	4,814,147	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,419,916	2,766,675	2,766,675	0
Special	265,570	251,951	251,951	0
Vocational	19,655	17,242	17,242	0
Student Intervention Services	0	43,145	43,145	0
Support Services:				
Pupils	382,322	287,109	287,109	0
Instructional Staff	262,117	222,733	222,733	0
Board of Education	27,291	18,161	18,161	0
Administration	582,451	512,761	512,761	0
Fiscal	211,639	179,709	179,709	0
Operation and Maintenance of Plant	550,552	425,707	425,707	0
Pupil Transportation	356,000	245,384	245,384	0
Central	39,732	25,058	25,058	0
Extracurricular Activities	89,474	73,947	73,947	0
<i>Total Expenditures</i>	6,206,719	5,069,582	5,069,582	0
Excess of Revenues Under Expenditures	(1,007,718)	(255,435)	(255,435)	0
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	2,268	2,268	0
Transfers Out	(9,590)	(34,149)	(34,149)	0
Advances Out	0	(1,100)	(1,100)	0
<i>Total Other Financing Sources (Uses)</i>	(9,590)	(32,981)	(32,981)	0
<i>Net Change in Fund Balance</i>	(1,017,308)	(288,416)	(288,416)	0
<i>Fund Balance at Beginning of Year</i>	997,037	997,037	997,037	0
<i>Prior Year Encumbrances Appropriated</i>	32,529	32,529	32,529	0
<i>Fund Balance at End of Year</i>	\$12,258	\$741,150	\$741,150	\$0

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$15,566</u>
<u>Liabilities:</u>	
Undistributed Monies	<u>\$15,566</u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
	Scholarships
<u>Additions:</u>	\$0
<u>Deductions:</u>	
Scholarships	700
<i>Change in Net Assets</i>	(700)
<i>Net Assets at Beginning of Year</i>	700
<i>Net Assets at End of Year</i>	\$0

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Clay 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 School District was established in 1909 through the consolidation of existing land areas and school districts. The School District serves an area of 19.93 square miles. It is located in Scioto County, and includes Clay Township. It is staffed by 29 non-certificated employees, 50 certificated full-time teaching personnel and four administrative employees who provide services to 590 students and other community members. The School District currently operates three instructional buildings and two storage buildings.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Clay 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 four organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are presented in Note 18 to the basic financial statements.

Jointly Governed Organizations:

South Central Ohio Computer Association
Coalition of Rural and Appalachian Schools

Public Entity Shared Risk Pool:

Scioto County Schools Council

Insurance Purchasing Pool:

Ohio School Boards Association Workers’ Compensation Group Rating Plan

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Clay 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.

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 normally distinguish between those activities that are governmental and those that are considered business-type activities; however, the School District has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at fiscal 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.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 into 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.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All 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 fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following 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.

Ohio School Facilities Construction Project Fund – The Ohio School Facilities Construction Project Fund is used to account for all intergovernmental monies and interest received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for constructing a new Pre-K-12 facility, as well as to demolish the existing instructional buildings.

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 has two fiduciary funds: a private purpose trust fund used to account for college scholarship donations and an agency fund used to account for student managed activity programs.

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.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The 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.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 that 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 60 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, interest, and grants.

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, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. 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 fiscal 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 final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements 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. Prior to fiscal year-end, the School District passed a supplemental appropriation that equaled actual expenditures plus encumbrances for the fiscal year.

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 the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District has monies related to the Ohio School Facilities Commission Project and the School District's local share of the project invested separately from the School District's internal investment pool. These amounts are presented as "Cash and Cash Equivalents" and "Investments" on the financial statements.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2009, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), Federal Home Loan Bank Notes, Federal Home Loan Bank Discount Notes, Federal Home Loan Mortgage Association Discount Notes, Federal National Mortgage Association Notes, and Federal Home Loan Mortgage Association Notes. Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

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 2009 amounted to \$26,873, which includes \$23,483 assigned from other School District funds.

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District for bus purchases.

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable”. These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

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.

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 \$1,000. 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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 20 years
Buildings and Improvements	5 - 60 years
Furniture, Fixtures and Equipment	5 - 20 years
Textbooks	10 years
Vehicles	4 - 10 years

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 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.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences 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 and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

Bond issuance costs and bond premiums 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 interest accrued during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as an addition/reduction of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges. On the fund financial statements, bond premiums are reported as Other Financing Sources and issuance costs are reported as expenditures when the debt is issued. Accretion on the capital appreciation bonds are not reported.

Internal Activity

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

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.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 balance reserves have been established for encumbrances, property taxes, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

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 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 and music and athletic programs, and federal and State grants restricted to expenditure 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.

Estimates

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2009, the Other Grants, Poverty-Based Assistance, Title VI-B, Title I, and Title II-A Special Revenue Funds had deficit fund balances of \$1,628, \$1,126, \$1,782, \$13,791 and \$3,648, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 and Actual (Budget Basis) – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$230,357)
Adjustments:	
Revenue Accruals	(33,338)
Expenditure Accruals	14,497
Encumbrances	(38,118)
Advances	<u>(1,100)</u>
Budget Basis	<u><u>(\$288,416)</u></u>

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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.

Deposits:

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$40,165 of the School District's bank balance of \$292,879 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments: As of June 30, 2009, the School District had the following investment:

	Fair Value	Investment Maturities in Years		S&P Rating	Percent of Total Investments
		Less than 1	1 - 2		
STAROhio	\$2,288,174	\$2,288,174	\$0	AAAm	29.92%
Federal Home Loan Bank Notes	319,722	319,722	0	AAA	4.18%
Federal Home Loan Bank Discount Notes	1,433,082	1,433,082	0	AAA	18.74%
Federal Home Loan Mortgage Association Discount Notes	288,898	288,898	0	AAA	3.78%
Federal National Mortgage Association Notes	1,291,945	0	1,291,945	AAA	16.89%
Federal Home Loan Mortgage Association Notes	2,025,657	0	2,025,657	AAA	26.49%
Totals	\$7,647,478	\$4,329,876	\$3,317,602		100.00%

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk: Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District's policy requires that, to the extent possible, the Treasurer will attempt to match investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions. The maximum maturity of any eligible instrument is five years from the settlement date, unless the investment is matched to a specified obligation or debt of the School District. Any investment made must be purchased with reasonable expectation to be held to maturity.

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy does not address credit risk. The S&P rating of each investment is listed in the table above.

Concentration of Credit Risk: The School District's investment policy does not address concentration of credit risk. The percentage that each investment represents of the total investments is listed in the table above.

NOTE 6 - PROPERTY TAXES

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

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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date.

Assessed values for real property taxes are established by State law at 35 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008, and are collected in 2009 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 6 - PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar year 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. 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 Scioto County Treasurer collects property taxes on behalf of all local governments in the County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009, 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 and the late tangible personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

The amount available as an advance at June 30, 2009, was \$67,388 in the General Fund, \$21,192 in the Debt Service Fund, and \$1,682 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2008, was \$34,050 in the General Fund and \$6,354 in the Permanent Improvement Capital Projects Fund.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$49,118,470	93.10%	\$48,945,860	93.15%
Public Utility Personal	2,836,410	5.38%	2,849,480	5.42%
General Business Personal	805,430	1.52%	749,540	1.43%
Total Assessed Value	\$52,760,310	100.00%	\$52,544,880	100.00%
Tax rate per \$1,000 of assessed valuation	\$29.72		\$32.02	

On March 4, 2008, the School District's voters passed a 6.3 mil bond levy for the construction of its new school facilities and a half-mil permanent improvement levy.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009, consisted of property taxes, intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full and will be received within one fiscal year with the exception of the property taxes and the Ohio School Facilities Commission Grant. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Ohio School Facilities Commission Grant monies will be collected over the life of the construction of the new facility.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<u>Governmental Activities:</u>	
Ohio School Facilities Commission Grant	\$16,430,759
Title I	30,705
Early Childhood Education	13,689
High Schools That Work	1,747
Food Service	310
Total Intergovernmental Receivables	\$16,477,210

The School District was awarded a grant in the amount of \$18,257,865 on October 3, 2008, from the Ohio School Facilities Commission for the construction of a new Pre-K-12 facility, as well as to demolish the existing instructional buildings.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance at</u> <u>6/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/09</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$36,900	\$0	\$0	\$36,900
Construction in Progress	0	139,061	0	139,061
Total Capital Assets Not Being Depreciated	<u>36,900</u>	<u>139,061</u>	<u>0</u>	<u>175,961</u>
Capital Assets Being Depreciated:				
Land Improvements	77,631	0	0	77,631
Buildings and Improvements	2,503,664	0	0	2,503,664
Furniture, Fixtures and Equipment	821,808	24,013	(9,347)	836,474
Textbooks	338,923	0	0	338,923
Vehicles	445,813	0	0	445,813
Total Capital Assets Being Depreciated	<u>4,187,839</u>	<u>24,013</u>	<u>(9,347)</u>	<u>4,202,505</u>
Less Accumulated Depreciation:				
Land Improvements	(27,062)	(7,615)	0	(34,677)
Building and Improvements	(1,550,394)	(42,868)	0	(1,593,262)
Furniture, Fixtures and Equipment	(538,039)	(46,483)	9,347	(575,175)
Textbooks	(338,923)	0	0	(338,923)
Vehicles	(205,403)	(34,692)	0	(240,095)
Total Accumulated Depreciation	<u>(2,659,821)</u>	<u>(131,658) *</u>	<u>9,347</u>	<u>(2,782,132)</u>
Total Capital Assets Being Depreciated, Net	<u>1,528,018</u>	<u>(107,645)</u>	<u>0</u>	<u>1,420,373</u>
Governmental Activities Capital Assets, Net	<u>\$1,564,918</u>	<u>\$31,416</u>	<u>\$0</u>	<u>\$1,596,334</u>

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 8 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$53,575
Special	4,761
Vocational	1,057
Student Intervention Services	1,835
Support Services:	
Pupils	2,447
Instructional Staff	2,580
Administration	5,438
Fiscal	2,044
Operation and Maintenance of Plant	9,197
Pupil Transportation	38,976
Central	612
Operation of Non-Instructional Services:	
Food Service Operations	3,264
Extracurricular Activities	5,872
Total Depreciation Expense	<u>\$131,658</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District contracted with School Insurance Consultants, LLC (SIC) for insurance consulting services. The premium paid to SIC for fiscal year 2009 was \$3,000. The School District also pays to the awarded insurance agency an insurance premium that is based on types of coverage, limits of coverage, and deductibles that it selects. For the fiscal year, the School District contracted with Ohio Casualty Insurance Agency for liability, property, inland marine, and automobile liability insurance coverage and paid its premium to Ralph E. Wade Insurance Agency, Inc., an agent for Ohio Casualty Insurance Agency.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 9 - RISK MANAGEMENT (continued)

Insurance coverage includes the following:

Building and Contents replacement cost (\$1,000 deductible)	\$11,754,000
Inland Marine Coverage (\$500 deductible)	100,000
Automobile Liability:	
Aggregate Limit	2,000,000
Bodily Injury by Accident - Each Accident Limit	1,000,000
Bodily Injury by Disease - Policy Limit	1,000,000
Bodily Injury by Disease - Each Employee Limit	1,000,000
Uninsured Motorists	1,000,000
Forgery or Alterations	50,000
General Liability:	
Each Occurrence Limit	1,000,000
Damage to Premises Rented to You - Any One Premises	300,000
Medical Expense Limit - Any One Person	15,000
Personal and Advertising Injury Limit - Any One Person	1,000,000
General Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Aggregate Limit	1,000,000
Each Wrongful Act Limit	1,000,000
Aggregate Defense Expense Amount - Non-Monetary Relief	100,000
Sexual Misconduct and Molestation Liability:	
Aggregate Limit	1,000,000
Each Loss Limit	1,000,000
Innocent Party Aggregate Defense Expense Amount	300,000
Employee Benefits Program (\$1,000 deductible):	
Each Employee Limit	1,000,000
Aggregate Employee Limit	3,000,000
Audio Visual Equipment	100,000
Musical Equipment	100,000
Miscellaneous Equipment	100,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant change in insurance coverage from last fiscal year.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 9 - RISK MANAGEMENT (continued)

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 18), offering medical and dental insurance to the employees of participating school districts. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turn pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the School District shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan. All claims and expenses shall be paid from the funds of the Council.

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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 workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 2009, 9.09 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, 2009, 2008, and 2007 were \$75,280, \$58,588, and \$60,520, respectively; 49.96 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 East Broad Street, Columbus, Ohio 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.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

A DB or Combined Plan member with five or more years of 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, 2009, 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 2008, 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, 2009, 2008, and 2007 were \$333,084, \$317,733, and \$296,820, respectively; 83.06 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$3,566 made by the plan members and \$20 made by the School District.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

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 2009, 4.16 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 2009, this amount was \$35,800.

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, 2009, 2008, and 2007 were \$49,625, \$36,761, and \$31,767, respectively; 49.96 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$6,211, \$4,221, and \$4,115, respectively; 49.96 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 postemployment health care may be deducted from employer contributions. For 2009, 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, 2009, 2008, and 2007 were \$25,622, \$24,441, and \$22,832, respectively; 83.06 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated contracts and State laws. Eligible classified employees and administrators earn 10 to 20 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.

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 230 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 40 - 60 days, depending on years of service.

Insurance Benefits

The School District provides vision coverage through Vision Service Plan and life insurance through SunLife. The School District also provides health care and dental coverage for its employees with Medical Mutual of Ohio through the Scioto County Schools Council.

Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the School District entered into a lease-purchase agreement for the acquisition of school buses. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The School District is leasing the buses through the Ohio Association of School Business Officials (OASBO) Expanded Asset Pooled Financing Program. Under this program, participating school districts finance building improvements or asset acquisitions by entering into a lease-purchase agreement in an attempt to achieve debt service and issuance cost savings. Under this program, the School District is leasing the buses from the Columbus Regional Airport Authority, which is an administrator of the program. The Columbus Regional Airport Authority deposited \$204,000 with U.S. Bank National Association, who will serve as the fiscal agent for the monies. The School District utilized the monies held by U.S. Bank National Association for the purchase of the buses. In turn, the School District will make semi-annual lease payments to U.S. Bank National Association. Interest rates are based on a calculation of the TBMA index. The lease is renewable annually and expires in fiscal year 2014. The intention of the School District is to renew the lease annually and make payments using school bus reimbursements received from the State of Ohio and General Fund revenues. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds. All funds from the lease-purchase agreement were received and used in prior fiscal years.

The lease-purchase amount equaled \$204,000. Capital assets acquired through the lease were capitalized in the amount of \$201,000 with the remaining \$3,000 being disbursed directly from the Program Discretionary Fund to pay certain expenses of the School District's participation in the Program. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2009 totaled \$27,000 and were paid from the Debt Service Fund.

The assets acquired through the capital lease as of June 30, 2009, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
School Buses	\$201,000	\$51,924	\$149,076

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2009.

Fiscal Year Ending June 30,	Total Payments
2010	\$34,338
2011	34,171
2012	33,962
2013	34,710
2014	33,688
Total	170,869
Less: Amount Representing Interest	(18,869)
Present Value of Net Minimum Lease Payments	\$152,000

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Amount Outstanding 6/30/08	Additions	Deductions	Amount Outstanding 6/30/09	Amounts Due in One Year
<u>Governmental Activities:</u>					
2003 Permanent Improvement Levy					
Anticipation Notes - 3.31%	\$105,000	\$0	\$105,000	\$0	\$0
2008 School Improvement General					
Obligation Bonds - 3.63% to 5.25%					
Serial Bonds	0	335,000	0	335,000	50,000
Term Bonds	0	4,800,000	0	4,800,000	0
Capital Appreciation Bonds	0	130,000	0	130,000	0
Accretion on Capital Appreciation Bonds	0	28,628	0	28,628	0
Unamortized Premium	0	221,712	3,963	217,749	0
Capital Leases	179,000	0	27,000	152,000	28,000
Compensated Absences	388,382	57,510	22,516	423,376	42,187
Total Governmental Activities					
Long-Term Obligations	\$672,382	\$5,572,850	\$158,479	\$6,086,753	\$120,187

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

On July 30, 2003, the School District issued Permanent Improvement Levy Anticipation Notes in the amount of \$525,000 for the purpose of improving facilities within the School District. The notes were issued for a five year period and matured on July 30, 2008. The notes were retired from the Debt Service Fund.

On November 12, 2008, the School District issued \$5,265,000 in general obligation bonds for the purpose of paying off the July 2008 bond anticipation notes. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$335,000, \$4,800,000, and \$130,000, respectively. The bonds were issued for a 28 year period with first maturity at December 1, 2009, and final maturity at December 1, 2036.

The serial bonds issued at \$335,000 and with final maturity dates after December 1, 2018, are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2018, at the redemption price of 100 percent.

The term bonds were issued at \$4,800,000. The term bonds that mature on December 1, 2036, are subject to mandatory sinking fund redemption on December 1, 2021, December 1, 2023, December 1, 2025, December 1, 2028, December 1, 2033, and December 1, 2036, at 100 percent of the principal amount thereof plus accrued interest to the date of redemptions according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2021	\$430,000
2023	345,000
2025	400,000
2028	730,000
2033	1,620,000
2036	1,275,000
Total	<u>\$4,800,000</u>

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The capital appreciation bonds, issued at \$130,000, are not subject to prior redemption. The fiscal year 2009 accretion amount was \$28,628. The remaining capital appreciation bonds will mature December 1, 2014 through 2018 as follows:

<u>Year</u>	<u>Maturity Amount</u>
2014	\$33,143
2015	27,615
2016	25,311
2017	23,964
2018	19,967
Total	<u>\$130,000</u>

Principal and interest requirements to retire the School District's outstanding debt at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$50,000	\$245,133	\$0	\$0	\$0	\$0
2011	60,000	243,009	0	0	0	0
2012	75,000	240,525	0	0	0	0
2013	75,000	237,759	0	0	0	0
2014	75,000	234,852	0	0	0	0
2015-2019	0	0	0	1,166,760	130,000	430,000
2020-2024	0	0	775,000	1,088,707	0	0
2025-2029	0	0	1,130,000	877,682	0	0
2030-2034	0	0	1,620,000	548,189	0	0
2035-2037	0	0	1,275,000	103,819	0	0
Totals	<u>\$335,000</u>	<u>\$1,201,278</u>	<u>\$4,800,000</u>	<u>\$3,785,157</u>	<u>\$130,000</u>	<u>\$430,000</u>

As of June 30, 2009, none of the debt proceeds had been spent toward the project.

Compensated absences will be paid from the General Fund and the Food Service, Public Preschool, Title VI-B, Title I, and Title II-A Special Revenue Funds.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The School District's overall legal debt margin was (\$570,007) with an unvoted debt margin of \$51,424 at June 30, 2009. Ohio Revised Code Section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's local portion of Ohio School Facilities construction project costs. The School District submitted the issuance of its School Improvement General Obligation Bonds to the electors prior to the adoption of H.B. 530. H.B. 530 now excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations from the definition of tax valuation for the purpose of calculating the legal debt margin for school districts.

NOTE 15 - SHORT-TERM OBLIGATIONS

A summary of the note transactions for the fiscal year ended June 30, 2009, follows:

	Amount Outstanding 6/30/08	Additions	Deductions	Amount Outstanding 6/30/09
2008 Ohio School Facilities Construction and Improvement Notes	\$0	\$5,265,000	\$5,265,000	\$0

On July 10, 2008, the School District issued 3.50 percent Ohio School Facilities Construction and Improvement Notes, Series 2008, in the amount of \$5,265,000. The notes matured on January 6, 2009. The notes were issued for the purpose of construction a new Pre-K-12 facility. The note proceeds were recorded into the Locally Funded Initiative and Ohio School Facilities Construction Project Capital Projects Funds. The notes were retired at maturity with the proceeds from the issuance of general obligation bonds.

NOTE 16 - INTERFUND ACTIVITY

Interfund balances at June 30, 2009, consist of the following individual interfund receivable and payable:

		Receivable
		General Fund
	Other	
Payable	Governmental Funds	\$1,100

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 16 - INTERFUND ACTIVITY (continued)

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

Transfers made during the fiscal year ended June 30, 2009, were as follows:

		Transfers From		
		General	Other Governmental Funds	Total
Transfers To	Ohio School Facilities Construction Project	\$0	\$78,805	\$78,805
	Other Governmental Funds	34,149	120,532	154,681
	Totals	\$34,149	\$199,337	\$233,486

General Fund transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers were made from the General Fund and the Permanent Improvement Capital Projects Fund to the Debt Service Fund for the purpose of making debt payments. Transfers were also made from the Debt Service Fund to the Locally Funded Initiative and Ohio School Facilities Construction Project Capital Projects Funds to pay obligations of the Classroom Facilities Bond Anticipation Notes.

NOTE 17 - CONSTRUCTION COMMITMENTS

The School District contracted for constructing its new Pre-K-12 facility, as well as to demolish the existing instructional buildings. The outstanding construction commitments at June 30, 2009, are:

Contractor	Contract Amount	Amount Expended	Balance At June 30, 2009
Tanner, Stone & Co.	\$1,223,441	\$462,460	\$760,981
DCK Construction	1,178,958	139,061	1,039,897
Total	\$2,402,399	\$601,521	\$1,800,878

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence 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 school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$9,600 for membership fees during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of 14 members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for School District administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for School District personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid \$300 to the Coalition for services provided during the fiscal year.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL (continued)

Scioto County Schools Council

The School District is a member of the Scioto County Schools Council (the “Council”), a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Schools Council. The overall objectives of the Council are to formulate and administer programs of health and dental insurance for the benefit of the Council members’ employees and their dependents, to obtain lower costs for health and dental coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council’s business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts. The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District’s claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District’s claims are low, it will not receive a refund. The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

Ohio School Boards Association Workers’ Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - SET-ASIDE CALCULATIONS

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 fiscal year-end set-aside amounts for textbooks and instructional materials and capital acquisitions. Disclosure of this information is required by State statute.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 19 - SET-ASIDE CALCULATIONS (continued)

	<u>Textbooks and Instructional Materials</u>	<u>Capital Acquisitions</u>
Set-aside Reserve Balance as of June 30, 2008	\$0	\$0
Current Fiscal Year Set-aside Requirement	79,889	79,889
Current Fiscal Year Offsets	0	0
Qualifying Disbursements	<u>(88,472)</u>	<u>(79,889)</u>
Totals	<u>(\$8,583)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2009	<u>(\$8,583)</u>	<u>\$0</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for textbooks and instructional materials. This amount may be carried forward to reduce the set-aside requirement of future fiscal years.

Amounts of offsets and qualifying disbursements for capital acquisitions presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District had qualifying disbursements during the fiscal year that would have reduced the set-aside amount for capital acquisitions to below zero, this extra amount may not be used to reduce the set-aside requirements of future fiscal years, therefore the School District has chosen not to present them.

NOTE 20 - CONTINGENCIES

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 adverse effect on the overall financial position of the School District at June 30, 2009.

Litigation

The School District is not party to any legal proceedings.

NOTE 21 - SUBSEQUENT EVENT

On July 10, 2009, the School District signed a contract with Solid Rock Construction Services, LLC in the amount of \$467,000 for early site work on the ground where the new Pre-K-12 facility will be located.

Clay Local School District
Scioto County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Summer Food Service Program for Children	N/A	10.559	\$ 7,584	\$ -	\$ 7,584	\$ -
School Breakfast Program	O5PU	10.553	73,977	-	73,977	-
National School Lunch Program	LLP4	10.555	110,409	3,463	110,409	3,463
Total Nutrition Cluster			191,970	3,463	191,970	3,463
Total United States Department of Agriculture			191,970	3,463	191,970	3,463
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title 1 Grants to Local Educational Agencies	C1S1	84.010	184,732	-	181,241	-
Special Education - Grants to States	6BSF	84.027	106,966	-	105,374	-
Safe and Drug-Free Schools and Communities - State Grants	DRS1	84.186	1,934	-	1,934	-
State Grants for Innovative Programs	C2S1	84.298	490	-	490	-
Education Technology State Grants	TJS1	84.318	2,016	-	2,016	-
Improving Teacher Quality State Grants	TRS1	84.367	51,322	-	45,920	-
Total United States Department of Education			347,460	-	336,975	-
Total Federal Financial Assistance			\$ 539,430	\$ 3,463	\$ 528,945	\$ 3,463

NA - Not Available

See accompanying notes to the schedule of federal awards receipts and expenditures

Clay Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2009

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

NOTE C – FOOD DONATION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received as assessed by the U.S. Department of Agriculture.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board
Clay Local School District
44 Clay High Street
Portsmouth, Ohio 45662

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay Local School District (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 18, 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 School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School 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 School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable basis of accounting such that there is more than a remote likelihood that the School 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 School 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 to be material weaknesses, as defined above.

Members of the Board
Clay Local School District

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Page 2

Compliance and Other Matters

As part of reasonably assuring whether the School 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 18, 2009



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

Members of the Board
Clay Local School District
44 Clay High Street
Portsmouth, Ohio 45662

Compliance

We have audited the compliance of Clay Local School District, Scioto County, Ohio (the School 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 each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School 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 occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the 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 School District's internal control over compliance.

Members of the Board

Clay Local School District

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

Page 2

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 programs compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential non-compliance 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 School District's internal control will not be prevent or detect material non-compliance with a federal program's compliance requirements.

Our consideration of the 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.

We intend this report for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
December 18, 2009

Clay Local School District
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2009

Summary of Auditor's Results

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant control deficiencies conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under Section .510?	No
<i>(d)(1)(vii)</i>	Major Program(s) (list):	Title I Grants to Local Education Agencies: CFDA #84.010 and Nutrition Cluster, CFDA # and 10.553, 10.559 and 10.555.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Independent Auditor's Report on Applying Agreed-Upon Procedures

Clay Local School District
Scioto County
44 Clay High Street
Portsmouth, Ohio 45662

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

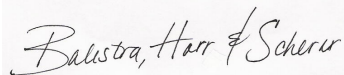
Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Clay Local School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 12, 2007.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student's rights under the first amendment to the Constitution of the United State;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

December 18, 2009



Mary Taylor, CPA
Auditor of State

CLAY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 16, 2010