



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clinton-Massie Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clinton-Massie Local School District, Clinton County, Ohio, 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 March 10, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

March 10, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

The management's discussion and analysis of the Clinton-Massie Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets of governmental activities decreased \$767,008 which represents a 1.57% decrease from 2008.
- General revenues accounted for \$15,237,518 in revenue or 86.54% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$2,369,118 or 13.46% of total revenues of \$17,606,636.
- The District had \$18,373,644 in expenses related to governmental activities; only \$2,369,118 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,237,518 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and classroom facilities fund. The general fund had \$14,368,550 in revenues and other financing sources and \$14,787,249 in expenditures. During fiscal year 2009, the general fund's fund balance decreased \$418,699 from \$2,761,411 to \$2,342,712.
- The debt service fund had \$1,127,993 in revenues and other financing sources and \$917,930 in expenditures. During fiscal year 2009, the debt service fund's fund balance increased \$210,063 from a balance of \$7,163,864 to a balance of \$7,373,927.
- The classroom facilities fund had \$9,778,900 in revenues and \$25,041,977 in expenditures and other financing uses. During fiscal year 2009, the classroom facilities fund's fund balance decreased \$15,263,077 from a balance of \$12,933,675 to a deficit of \$2,329,402.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

CLINTON-MASSIE LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-48 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2009 and June 30, 2008.

	Net Assets	
	Governmental Activities 2009	Governmental Activities 2008
<u>Assets</u>		
Current and other assets	\$ 25,562,810	\$ 45,734,121
Capital assets, net	<u>45,759,868</u>	<u>28,749,351</u>
Total assets	<u>71,322,678</u>	<u>74,483,472</u>
<u>Liabilities</u>		
Current liabilities	13,945,309	9,853,972
Long-term liabilities	<u>9,308,205</u>	<u>15,793,328</u>
Total liabilities	<u>23,253,514</u>	<u>25,647,300</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	31,311,247	13,491,279
Restricted	8,989,523	32,902,804
Unrestricted	<u>7,768,394</u>	<u>2,442,089</u>
Total net assets	<u>\$ 48,069,164</u>	<u>\$ 48,836,172</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$48,069,164. Of this total \$8,989,523 is restricted in use.

At year-end, capital assets represented 64.16% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment and vehicles. Capital assets, net of accumulated depreciation, increased \$17,010,517 as a result of construction in progress additions from the Ohio School Facilities Construction (OSFC) Project that began in 2008. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$31,311,247. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

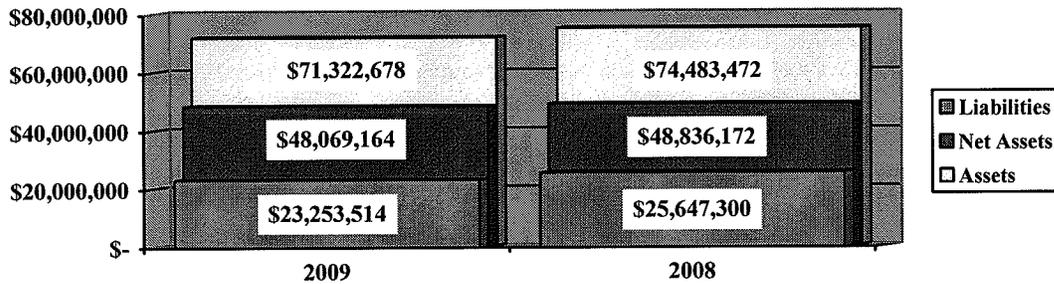
**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

A portion of the District's net assets, \$8,989,523, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$7,768,394 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below illustrates the District's assets, liabilities, and net assets at June 30, 2009 and June 30, 2008.

Governmental Activities



The table below shows the change in net assets for fiscal years 2009 and 2008.

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,002,741	\$ 904,777
Operating grants and contributions	1,338,311	1,317,589
Capital grants and contributions	28,066	232,275
General revenues:		
Property taxes	5,481,142	5,878,138
Grants and entitlements	9,327,191	9,278,700
Investment earnings	383,173	355,315
Miscellaneous	46,012	41,896
Special item - Refund from OSFC	-	3,500,000
Total revenues	\$ 17,606,636	\$ 21,508,690

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,386,093	\$ 7,315,263
Special	1,098,870	935,414
Other	1,081,162	1,029,722
Support services:		
Pupil	948,978	912,760
Instructional staff	1,319,874	1,273,710
Board of education	17,452	17,092
Administration	998,314	1,100,960
Fiscal	472,491	462,710
Business	38,939	35,883
Operations and maintenance	1,921,443	1,411,518
Pupil transportation	944,467	1,048,923
Central	5,310	8,157
Operations of non-instructional services:		
Other non-instructional services	4,000	8,000
Food service operations	675,557	615,248
Extracurricular activities	660,888	618,719
Interest and fiscal charges	799,806	831,729
Total expenses	<u>18,373,644</u>	<u>17,625,808</u>
Change in net assets	(767,008)	3,882,882
Net assets at beginning of year	<u>48,836,172</u>	<u>44,953,290</u>
Net assets at end of year	<u>\$ 48,069,164</u>	<u>\$ 48,836,172</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$767,008. Total governmental expenses of \$18,373,644 were offset by program revenues of \$2,369,118 and general revenues of \$15,237,518. Program revenues supported 12.89% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 84.11% of total governmental revenue. Real estate property is reappraised every six years.

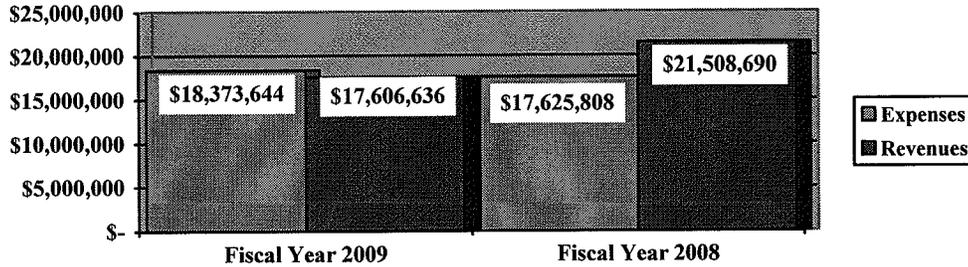
The decrease in net assets of \$767,008 from the prior year can be attributed to the decrease in intergovernmental state revenues as the OSFC project construction comes closer to an end and the District receives less money.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	\$ 7,386,093	\$ 7,073,851	\$ 7,315,263	\$ 6,761,719
Special	1,098,870	516,722	935,414	420,212
Vocational	-	(1,830)	-	(2,742)
Other	1,081,162	947,612	1,029,722	892,961
Support services:				
Pupil	948,978	918,141	912,760	888,166
Instructional staff	1,319,874	1,051,787	1,273,710	984,197
Board of education	17,452	17,452	17,092	17,092
Administration	998,314	944,798	1,100,960	1,042,560
Fiscal	472,491	472,491	462,710	462,710
Business	38,939	38,939	35,883	35,883
Operations and maintenance	1,921,443	1,921,443	1,411,518	1,411,518
Pupil transportation	944,467	878,201	1,048,923	1,018,462
Central	5,310	2	8,157	1,789
Operations of non-instructional services				
Other non-instructional services	4,000	4,000	8,000	8,000
Food service operations	675,557	(11,128)	615,248	(28,535)
Extracurricular activities	660,888	432,239	618,719	425,446
Interest and fiscal charges	799,806	799,806	831,729	831,729
Total expenses	\$ 18,373,644	\$ 16,004,526	\$ 17,625,808	\$ 15,171,167

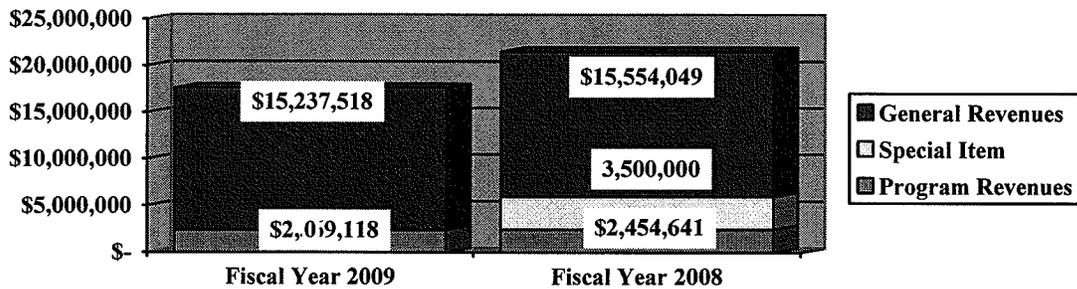
**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

The dependence upon tax and other general revenues for governmental activities is apparent, 89.24% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.11%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$7,715,167, which is lower than last year's total of \$23,174,125. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance/(Deficit) June 30, 2009	Fund Balance June 30, 2008	Increase/ (Decrease)
General	\$ 2,342,712	\$ 2,761,411	\$ (418,699)
Debt Service	7,373,927	7,163,864	210,063
Classroom Facilities	(2,329,402)	12,933,675	(15,263,077)
Other Governmental	<u>327,930</u>	<u>315,175</u>	<u>12,755</u>
Total	<u>\$ 7,715,167</u>	<u>\$ 23,174,125</u>	<u>\$ (15,458,958)</u>

General Fund

The District's general fund's fund balance decreased by \$418,699. The decrease in fund balance can be attributed to rising expenditures exceeding rising revenues during the fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2009 <u>Amount</u>	2008 <u>Amount</u>	Increase/ (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 4,013,492	\$ 3,951,315	\$ 62,177	1.57 %
Tuition	114,185	54,303	59,882	110.27 %
Earnings on investments	261,244	363,204	(101,960)	(28.07) %
Intergovernmental	9,643,577	9,542,558	101,019	1.06 %
Other revenues	<u>54,665</u>	<u>46,030</u>	<u>8,635</u>	18.76 %
Total	<u>\$ 14,087,163</u>	<u>\$13,957,410</u>	<u>\$ 129,753</u>	0.93 %
<u>Expenditures</u>				
Instruction	\$ 8,334,703	\$ 8,055,049	\$ 279,654	3.47 %
Support services	5,557,251	5,826,056	(268,805)	(4.61) %
Operation of non-instructional services	4,000	8,000	(4,000)	(50.00) %
Extracurricular activities	421,910	393,968	27,942	7.09 %
Facilities acquisition and construction	113,672	15,424	98,248	636.98 %
Capital outlay	281,387	-	281,387	100.00 %
Debt service	<u>74,326</u>	<u>32,605</u>	<u>41,721</u>	127.96 %
Total	<u>\$ 14,787,249</u>	<u>\$14,331,102</u>	<u>\$ 456,147</u>	3.18 %

Tuition revenue increased \$59,882 or 110.27%. This increase is a result of an increase in open enrollment from other districts. Earnings on investments decreased \$101,960. This decrease can be accredited to the decrease in interest rates on the District's investments. Overall expenditures increased 3.18%. The increase in facilities acquisition and construction can be attributed to the District's ongoing capital improvements. The increase in instructional expenditures is a result of overall increased costs faced by the District, specifically, standard and customary wage increases. The capital outlay of \$281,387 is due to the District entering into two capital leases during the fiscal year.

Debt Service Fund

The District's debt service fund's fund balance increased by \$210,063. The debt service fund had \$1,127,993 in revenues and other financing sources and \$917,930 in expenditures. The increase in fund balance can be attributed to a transfer from the classroom facilities fund. See Note 5 to the basic financial statements for additional information on this transfer.

Classroom Facilities Fund

The District's classroom facilities fund's balance decreased to a deficit of \$2,329,402. The classroom facilities fund had \$9,778,900 in revenues and \$25,041,977 in expenditures and other financing uses. The decrease in fund balance is a result of the District receiving approximately \$9.9 million less than the prior year from the State for an Ohio School Facilities Commission project as well as the recording of a \$6,070,000 of a bond anticipation note as a fund liability. See Note 11 to the basic financial statements for additional information on the note.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

General Fund Budgeting Highlights

The 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.

For fiscal year 2009 final budgeted revenues and other financing sources were \$14,283,159 matched the original budgeted revenues. Actual revenues and other financing sources for fiscal year 2009 were \$14,222,443 which was lower than the final budgeted revenues by \$60,716.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,406,737 remained the same in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$14,805,710, which was \$601,027 lower than final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$45,759,868 invested in land, construction in progress (CIP), land improvements, buildings and improvements, equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2009 balances compared to June 30, 2008:

Capital Assets at June 30		
(Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2009</u>	<u>2008</u>
Land	\$ 462,953	\$ 432,953
CIP	26,572,728	8,738,006
Land improvements	1,254,071	1,349,027
Building and improvements	16,689,304	17,382,499
Equipment	354,826	396,172
Vehicles	425,986	450,694
Total	<u>\$45,759,868</u>	<u>\$28,749,351</u>

The overall increase in capital assets of \$17,010,517 is due to capital outlays of \$17,967,090 exceeding depreciation of \$956,573 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2009, the District had \$8,586,149 in general obligation bonds and capital leases outstanding. Of this total, \$406,197 is due within one year and \$8,179,952 is due within greater than one year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

The following table summarizes the long-term bonds and notes outstanding.

	Governmental Activities 2009	Governmental Activities 2008
Bonds	\$ 8,378,621	\$ 8,719,072
Notes	-	6,539,000
Capital leases	<u>207,528</u>	<u>-</u>
Total	<u>\$ 8,586,149</u>	<u>\$15,258,072</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District is on reasonably solid financial ground for the next two years. At the end of fiscal year 2009, the District had almost 3 months of unencumbered operating reserves. This financial health has been a consistent strength over the past decade; as Clinton-Massie has not had an operating levy on the ballot in over 20 years. With stagnant enrollment in the past two years, the Board decided to implement Open Enrollment in fiscal year 2010 and had an overwhelming number of applicants. The district accepted almost 90 Open Enrollment students in fiscal year 2010 which has really helped prop up the declining revenue stream.

Due to heavy funding by the State, the District is highly susceptible to any/all changes made to the school funding formula. State funding declined in fiscal year 2010 and will decline further in fiscal year 2011. This apparent trend in decreased support from the State has and will continue to present challenges. Operational expenditures continue to increase at a higher rate than increases in state and local revenues. As increases in expenditures outpace revenues in future years, costs and programs must be reduced or new sources of revenues must be found. The District is currently weighing alternatives, and making various cost-conscious changes, where possible, before going to the voters to ask for more local tax dollars. However, without major reform to the State funding system, a tax levy will be needed in the near future.

The District added a new High School in fiscal year 2005, a renovated Middle School in fiscal year 2009, and a new Elementary School in fiscal year 2010. The old elementary building will be partially demolished with the remaining space being available for use as needed by the District. The Warren County YMCA currently leases some space in the old elementary for a daycare, and the two gymnasiums are also in use throughout the year.

Academically, the District was rated as "Excellent" by ODE for the 2008-2009 school year. Administration will continue to work diligently to retain the "Excellent" rating. The District is making good use of the financial resources it has been entrusted with and will continue to pursue excellence in every area.

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 District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to, Clinton-Massie Local School District, Cathy Leichliter, Treasurer, 2556 Lebanon Road, Clarksville, Ohio 45113.

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

STATEMENT OF NET ASSETS
JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 15,676,193
Cash with escrow agent	371,701
Receivables:	
Taxes	5,671,049
Accounts	47,155
Intergovernmental	3,716,703
Accrued interest	3,223
Prepayments	57,512
Materials and supplies inventory.	19,274
Capital assets:	
Land and construction in progress	27,035,681
Depreciable capital assets, net.	18,724,187
Total capital assets, net	45,759,868
 Total assets.	 71,322,678
 Liabilities:	
Accounts payable.	24,393
Contracts payable.	708,717
Retainage payable	371,701
Accrued wages and benefits	1,202,330
Pension obligation payable.	369,161
Intergovernmental payable.	86,035
Unearned revenue	4,963,284
Accrued interest payable	149,688
Bond anticipation note payable	6,070,000
Long-term liabilities:	
Due within one year.	523,786
Due within more than one year	8,784,419
 Total liabilities	 23,253,514
 Net assets:	
Invested in capital assets, net of related debt.	31,311,247
Restricted for:	
Capital projects	1,271,055
Debt service.	7,421,254
Classroom facilities maintenance	147,539
Locally funded programs	1,178
State funded programs	420
Federally funded programs	11,234
Student activities	46,634
Other purposes	90,209
Unrestricted	7,768,394
 Total net assets	 \$ 48,069,164

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 7,386,093	\$ 230,648	\$ 81,594	\$ -	\$ (7,073,851)
Special	1,098,870	67,470	514,678	-	(516,722)
Vocational	-	-	1,830	-	1,830
Other	1,081,162	-	133,550	-	(947,612)
Support services:					
Pupil	948,978	-	30,837	-	(918,141)
Instructional staff	1,319,874	-	268,087	-	(1,051,787)
Board of education	17,452	-	-	-	(17,452)
Administration	998,314	-	53,516	-	(944,798)
Fiscal	472,491	-	-	-	(472,491)
Business	38,939	-	-	-	(38,939)
Operations and maintenance	1,921,443	-	-	-	(1,921,443)
Pupil transportation	944,467	-	38,200	28,066	(878,201)
Central	5,310	-	5,308	-	(2)
Operation of non-instructional services:					
Other non-instructional services	4,000	-	-	-	(4,000)
Food service operations	675,557	486,411	200,274	-	11,128
Extracurricular activities	660,888	218,212	10,437	-	(432,239)
Interest and fiscal charges	799,806	-	-	-	(799,806)
Totals	\$ 18,373,644	\$ 1,002,741	\$ 1,338,311	\$ 28,066	(16,004,526)
General revenues:					
Property taxes levied for:					
General purposes					4,042,721
Debt service					635,774
Special revenue					77,267
Capital projects					725,380
Grants and entitlements not restricted to specific programs					9,327,191
Investment earnings					383,173
Miscellaneous					46,012
Total general revenues					15,237,518
Change in net assets					(767,008)
Net assets at beginning of year					48,836,172
Net assets at end of year					\$ 48,069,164

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 3,489,689	\$ 7,297,612	\$ 4,490,487	\$ 354,821	\$ 15,632,609
Cash with escrow agent	-	-	371,701	-	371,701
Receivables:					
Taxes	4,364,896	1,225,724	-	80,429	5,671,049
Accounts	47,055	-	-	100	47,155
Intergovernmental	-	-	3,641,252	75,451	3,716,703
Accrued interest	3,223	-	-	-	3,223
Due from other funds	2,075	-	-	-	2,075
Prepayments	57,512	-	-	-	57,512
Materials and supplies inventory	-	-	-	19,274	19,274
Restricted assets:					
Equity in pooled cash and investments	43,584	-	-	-	43,584
Total assets	\$ 8,008,034	\$ 8,523,336	\$ 8,503,440	\$ 530,075	\$ 25,564,885
Liabilities:					
Accounts payable	\$ 12,555	\$ -	\$ -	\$ 11,838	\$ 24,393
Contracts payable	-	-	708,717	-	708,717
Retainage payable	-	-	371,701	-	371,701
Accrued wages and benefits	1,114,124	-	-	88,206	1,202,330
Pension obligation payable	347,840	-	-	21,321	369,161
Intergovernmental payable	82,853	-	-	3,182	86,035
Due to other funds	-	-	-	2,075	2,075
Accrued interest payable	-	-	116,411	-	116,411
Bond anticipation note payable	-	-	6,070,000	-	6,070,000
Deferred revenue	283,565	80,604	3,566,013	5,429	3,935,611
Unearned revenue	3,824,385	1,068,805	-	70,094	4,963,284
Total liabilities	5,665,322	1,149,409	10,832,842	202,145	17,849,718
Fund balances:					
Reserved for encumbrances	146,731	-	1,104,825	25,925	1,277,481
Reserved for budget stabilization	43,584	-	-	-	43,584
Reserved for materials and supplies inventory	-	-	-	19,274	19,274
Reserved for property tax unavailable for appropriation	259,466	76,315	-	4,906	340,687
Reserved for debt service	-	7,297,612	-	-	7,297,612
Reserved for prepayments	57,512	-	-	-	57,512
Unreserved, undesignated (deficit), reported in:					
General fund	1,835,419	-	-	-	1,835,419
Special revenue funds	-	-	-	243,381	243,381
Capital projects funds	-	-	(3,434,227)	34,444	(3,399,783)
Total fund balances	2,342,712	7,373,927	(2,329,402)	327,930	7,715,167
Total liabilities and fund balances	\$ 8,008,034	\$ 8,523,336	\$ 8,503,440	\$ 530,075	\$ 25,564,885

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances	\$	7,715,167
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		45,759,868
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 367,078	
Accrued interest receivable	2,520	
Intergovernmental receivable	<u>3,566,013</u>	
Total		3,935,611
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(33,277)
Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(8,378,621)	
Compensated absences payable	(722,056)	
Capital lease obligations	<u>(207,528)</u>	
Total		<u>(9,308,205)</u>
Net assets of governmental activities	\$	<u>48,069,164</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 4,013,492	\$ 664,961	\$ 725,380	\$ 76,887	\$ 5,480,720
Tuition	114,185	-	-	-	114,185
Earnings on investments	261,244	-	126,499	-	387,743
Charges for services	-	-	-	477,319	477,319
Extracurricular	-	-	-	274,531	274,531
Contributions and donations	-	-	-	26,724	26,724
Classroom materials and fees	3,848	-	-	98,363	102,211
Other local revenues	50,817	-	-	42,197	93,014
Intergovernmental - intermediate	-	-	-	4,593	4,593
Intergovernmental - state	9,643,577	213,290	8,927,021	71,698	18,855,586
Intergovernmental - federal	-	-	-	721,179	721,179
Total revenue	<u>14,087,163</u>	<u>878,251</u>	<u>9,778,900</u>	<u>1,793,491</u>	<u>26,537,805</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,320,237	-	-	257,224	6,577,461
Special	1,062,904	-	-	4,648	1,067,552
Other	951,562	-	-	129,600	1,081,162
Support services:					
Pupil	882,037	-	-	29,826	911,863
Instructional staff	1,014,301	-	-	266,555	1,280,856
Board of education	17,452	-	-	-	17,452
Administration	924,740	-	-	52,953	977,693
Fiscal	432,780	23,452	-	1,606	457,838
Business	37,986	-	-	-	37,986
Operations and maintenance	1,408,902	-	-	124,469	1,533,371
Pupil transportation	839,035	-	-	74,535	913,570
Central	18	-	-	5,292	5,310
Operation of non-instructional services:					
Other non-instructional services	4,000	-	-	-	4,000
Food service operations	-	-	-	663,937	663,937
Extracurricular activities	421,910	-	-	219,313	641,223
Facilities acquisition and construction	113,672	-	17,827,867	3,355	17,944,894
Capital outlay	281,387	-	-	-	281,387
Debt service:					
Principal retirement	73,859	340,451	6,539,000	-	6,953,310
Interest and fiscal charges	467	554,027	372,791	-	927,285
Total expenditures	<u>14,787,249</u>	<u>917,930</u>	<u>24,739,658</u>	<u>1,833,313</u>	<u>42,278,150</u>
Excess of expenditures over revenues	<u>(700,086)</u>	<u>(39,679)</u>	<u>(14,960,758)</u>	<u>(39,822)</u>	<u>(15,740,345)</u>
Other financing sources (uses):					
Transfers in	-	249,742	-	52,577	302,319
Transfers (out)	-	-	(302,319)	-	(302,319)
Capital lease transaction	281,387	-	-	-	281,387
Total other financing sources (uses)	<u>281,387</u>	<u>249,742</u>	<u>(302,319)</u>	<u>52,577</u>	<u>281,387</u>
Net change in fund balances	(418,699)	210,063	(15,263,077)	12,755	(15,458,958)
Fund balances at beginning of year	2,761,411	7,163,864	12,933,675	315,175	23,174,125
Fund balances (deficit) at end of year	<u>\$ 2,342,712</u>	<u>\$ 7,373,927</u>	<u>\$ (2,329,402)</u>	<u>\$ 327,930</u>	<u>\$ 7,715,167</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**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
(SEE ACCOUNTANT'S COMPILATION REPORT)**

Net change in fund balances - total governmental funds **\$ (15,458,958)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$	17,967,090	
Current year depreciation		(956,573)	
Total			17,010,517

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes		422	
Earnings on investments		(4,570)	
Intergovernmental		(8,927,021)	
Total			(8,931,169)

Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

6,953,310

Proceeds of capital lease transactions are recorded as other financing sources in the funds, however, in the statement of activities, they are not reported as other financing sources as they increase the liabilities on the statement of net assets.

(281,387)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.

127,479

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(186,800)

Change in net assets of governmental activities **\$ (767,008)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 4,138,088	\$ 4,138,088	\$ 4,044,287	\$ (93,801)
Tuition	66,000	66,000	114,185	48,185
Earnings on investments	290,000	290,000	250,316	(39,684)
Classroom materials and fees	4,100	4,100	3,866	(234)
Other local revenues	25,220	25,220	40,370	15,150
Intergovernmental - state	9,700,230	9,700,230	9,691,767	(8,463)
Total revenue	<u>14,223,638</u>	<u>14,223,638</u>	<u>14,144,791</u>	<u>(78,847)</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,083,820	8,083,820	6,436,016	1,647,804
Special	870,189	870,189	1,052,284	(182,095)
Other	886,065	886,065	952,896	(66,831)
Support services:				
Pupil	772,899	772,899	895,781	(122,882)
Instructional staff	774,127	774,127	1,029,626	(255,499)
Board of education	17,913	17,913	17,504	409
Administration	818,661	818,661	938,938	(120,277)
Fiscal	382,103	382,103	439,225	(57,122)
Business	33,137	33,137	46,639	(13,502)
Operations and maintenance	1,449,237	1,449,237	1,535,659	(86,422)
Pupil transportation	747,949	747,949	877,387	(129,438)
Central	3,509	3,509	1,778	1,731
Operation of non-instructional services	8,000	8,000	4,000	4,000
Extracurricular activities	353,498	353,498	418,882	(65,384)
Facilities acquisition and construction	173,357	173,357	127,567	45,790
Total expenditures	<u>15,374,464</u>	<u>15,374,464</u>	<u>14,774,182</u>	<u>600,282</u>
Excess of expenditures over revenues	<u>(1,150,826)</u>	<u>(1,150,826)</u>	<u>(629,391)</u>	<u>521,435</u>
Other financing sources (uses):				
Refund of prior year expenditure	5,566	5,566	9,911	4,345
Refund of prior year receipt	(31,530)	(31,530)	(31,528)	2
Sale of assets	2,200	2,200	15,986	13,786
Transfers (out)	(743)	(743)	-	743
Advances in	51,755	51,755	51,755	-
Total other financing sources (uses)	<u>27,248</u>	<u>27,248</u>	<u>46,124</u>	<u>18,876</u>
Net change in fund balance	(1,123,578)	(1,123,578)	(583,267)	540,311
Fund balance at beginning of year	3,801,772	3,801,772	3,801,772	-
Prior year encumbrances appropriated	133,833	133,833	133,833	-
Fund balance at end of year	<u>\$ 2,812,027</u>	<u>\$ 2,812,027</u>	<u>\$ 3,352,338</u>	<u>\$ 540,311</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ 65,671	\$ 21,380
Total assets	<u>65,671</u>	<u>\$ 21,380</u>
Liabilities:		
Due to students	-	\$ 21,380
Total liabilities	<u>-</u>	<u>\$ 21,380</u>
Net assets:		
Held in trust for scholarships	<u>65,671</u>	
Total net assets	<u>\$ 65,671</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,489
Gifts and contributions	3,236
Total additions	4,725
Deductions:	
Scholarships awarded	3,089
Change in net assets	1,636
Net assets at beginning of year	64,035
Net assets at end of year	\$ 65,671

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by State and/or federal agencies. This Board controls the District's one instructional facility (high school, middle school and elementary school) and one support facility (bus garage) staffed by 96 non-certified and 124 certified teaching personnel and 12 administrative employees to provide service to 1,723 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

The Clinton County Consortium

The Clinton County Consortium (the "Consortium") is made up of Clinton-Massie Schools, East Clinton Schools, and the Clinton-Fayette-Highland Educational Service District and CoreSource of Columbus have entered into an agreement to establish an employee welfare benefit plan which sets forth the procedure by which eligible employees of these participating employers can secure dental and life insurance. The monthly premiums are jointly paid by the employers and employees according to local, negotiated agreements and board policies. The district superintendents govern the Consortium and CoreSource administers the payment of claims. Employers participating in this plan are political subdivisions of the State of Ohio. The plan qualifies as a governmental plan as defined by Section 3(32) of the Employee Retirement Income Security Act of 1974 (ERISA) and is therefore exempt from ERISA requirements. Financial information for the participating boards of education for the year ended June 30, 2009, are available in each district.

Southwest Ohio Computer Association (SWOCA)

SWOCA is a jointly governed organization among a three-county consortium of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge, dependent upon the software package utilized.

The Governing Board of SWOCA is comprised of the superintendent of each of the member districts, plus one representative from the fiscal agent. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained from K. Michael Crumley, who serves as Director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust (EPC)

The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative (EPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products, including BWC coverage, to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross Blue Shield or United Health Care. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. On January 1, 2008, the District switched health insurance coverage and no longer purchased health insurance through the Plan. Dental insurance was purchased through the Plan for the entire fiscal year. Financial information can be obtained from Barbara Coriell, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive Suite 208, Vandalia, OH 45377-1171.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically 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 District's major governmental funds.

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

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value are 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2009, are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource and are not to be repaid. However, the District elected to budget these temporary resources anyway. The major documents prepared are the tax budget, the appropriations 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 amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by Board. The legal level of control has been established by Board at the fund level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts of the budgetary statement reflect the amounts on the final certificate of estimated resources issued during the fiscal year 2009.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2009.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2009, investments were limited to U.S. Government money market, negotiable certificates of deposit, nonnegotiable certificates of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as and nonnegotiable certificates of deposits, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the building capital projects fund. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$261,244, which includes \$175,457 assigned from other District funds.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains its capitalization threshold at \$5,000. 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. The District does not possess infrastructure.

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>Governmental Activities Estimated Lives</u>
Land Improvements	20 years
Buildings and improvements	20 - 50 years
Equipment	5 - 20 years
Vehicles	8 years

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans payable/receivable". These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service; or 20 years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments have been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

K. 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, matured compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements when they mature or, for pension contributions, when the service is rendered. Bonds are recognized as a liability on the fund financial statements when due.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, budget stabilization and debt service. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted by State statute for budget stabilization, amounts restricted for food service operations, and the uniform school supplies fund (a nonmajor governmental fund).

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

N. Estimates

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

O. Interfund Activity

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 on 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 basic financial statements.

P. Restricted Assets

Restricted assets in the general fund represent cash and investments set-aside to establish a budget stabilization reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 17.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
Classroom facilities	\$ 2,329,402
 <u>Nonmajor funds</u>	
Management information systems	24
Special education	6,777
IDEA preschool grant	1

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the classroom facilities fund results from the recording of note proceeds as a fund liability rather than an other financing source. See Note 11 for more detail. The deficit fund balances in the nonmajor governmental funds result from adjustments for accrued liabilities

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the District had \$4,000 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Cash with Escrow Agent

At fiscal year end, \$371,701 was on deposit with an escrow agent for retainage held as part of the District's construction contracts. This amount is not included in the total amount of deposits reported below and is reported on the financial statements as "cash with escrow agent".

C. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$8,798,325. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$8,803,154 of the District's bank balance of \$9,053,154 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds. Deposits covered by this collateral are considered to be exposed to custodial risk because they are not held in the District's name. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>Greater than 24 months</u>
Negotiable cd's	\$ 3,012,898	\$ 2,853,846	\$ 96,761	\$ 62,291
STAR Ohio	1,085,783	1,085,783	-	-
U.S Government money market	<u>2,862,238</u>	<u>2,862,238</u>	-	-
Total	<u>\$ 6,960,919</u>	<u>\$ 6,801,867</u>	<u>\$ 96,761</u>	<u>\$ 62,291</u>

The weighted average maturity of investments is 0.14 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio and U.S. Government money market an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable CD	\$ 3,012,898	43.28
STAR Ohio	1,085,783	15.60
U.S. Government money market	<u>2,862,238</u>	<u>41.12</u>
Total	<u>\$ 6,960,919</u>	<u>100.00</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,798,325
Investments	6,960,919
Cash with segregated accounts	371,701
Cash on hand	<u>4,000</u>
Total	<u>\$ 16,134,945</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 16,047,894
Private-purpose trust fund	65,671
Agency fund	<u>21,380</u>
Total	<u>\$ 16,134,945</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from classroom facilities fund to:	
Nonmajor governmental fund	\$ 52,577
Debt service fund	<u>249,742</u>
Total	<u>\$ 302,319</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues of the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer from the classroom facilities fund to the underground storage tank fund (a nonmajor governmental fund) was to refund excess money related to the Ohio School Facilities Commission building project to the fund that originally transferred the money to fund the project, in accordance with State statutes. The transfer from the classroom facilities fund to the debt service fund was to move excess funds from the expedited local partnership program to use for debt service payments related to the Ohio School Facilities Commission project.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. Interfund balances at June 30, 2009, consisted of the following due to/from other funds, as reported on the fund financial statements:

	Due from other funds	Due to other funds
General fund	\$ 2,075	\$ -
Nonmajor governmental funds:		
Special education	-	2,075
Total	\$ 2,075	\$ 2,075

The primary purpose of the due to/from other funds is to cover a negative cash balance in a respective fund and to represent amounts owed between funds for goods or services provided. The general fund is liable for covering a cash deficit. Due to/from other funds are eliminated between governmental funds for reporting in the statement of net assets. All amounts are to be repaid within one year.

Effective April 1, 2007, District's may maintain a negative cash balance if two criteria are met: (1) general fund must have available funds to cover negative; (2) a reimbursement request must have been submitted. The District met these two requirements. These interfund balances will be repaid once the anticipated revenues are received.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 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. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Clinton, Warren and Greene Counties. The County Auditors periodically advance to the Districts its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$259,466 in the general fund, \$76,315 in the debt service fund and \$4,906 in the classroom facilities maintenance fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$287,662 in the general fund, \$124,383 in the debt service fund and \$5,662 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 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 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 210,767,320	95.20	\$ 224,208,740	96.64
Public utility personal	9,145,860	4.13	7,788,000	3.36
Tangible personal property	<u>1,492,689</u>	<u>0.67</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 221,405,869</u>	<u>100.00</u>	<u>\$ 231,996,740</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$39.51		\$34.00

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NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 5,671,049
Accounts	47,155
Intergovernmental	3,716,703
Accrued interest	<u>3,223</u>
Total	<u>\$ 9,438,130</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year with the exception of the OSFC receivable of \$3,641,252 which will be collected over the life of the project.

NOTE 8 - CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2009</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 432,953	\$ 30,000	\$ -	\$ 462,953
Constuction in progress	<u>8,738,006</u>	<u>17,834,722</u>	<u>-</u>	<u>26,572,728</u>
Total capital assets, not being depreciated	<u>9,170,959</u>	<u>17,864,722</u>	<u>-</u>	<u>27,035,681</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,940,442	-	-	1,940,442
Buildings and improvements	23,787,456	9,490	-	23,796,946
Equipment	1,398,270	19,493	-	1,417,763
Vehicles	<u>1,510,562</u>	<u>73,385</u>	<u>-</u>	<u>1,583,947</u>
Total capital assets, being depreciated	<u>28,636,730</u>	<u>102,368</u>	<u>-</u>	<u>28,739,098</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(591,415)	(94,956)	-	(686,371)
Buildings and improvements	(6,404,957)	(702,685)	-	(7,107,642)
Equipment	(1,002,098)	(60,839)	-	(1,062,937)
Vehicles	<u>(1,059,868)</u>	<u>(98,093)</u>	<u>-</u>	<u>(1,157,961)</u>
Total accumulated depreciation	<u>(9,058,338)</u>	<u>(956,573)</u>	<u>-</u>	<u>(10,014,911)</u>
Governmental activities capital assets, net	<u>\$ 28,749,351</u>	<u>\$ 17,010,517</u>	<u>\$ -</u>	<u>\$ 45,759,868</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 8 - CAPITAL ASSETS - (Continued)

B. Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 777,104
Special	1,812
<u>Support services:</u>	
Pupil	2,369
Instructional staff	5,828
Administration	2,549
Fiscal	13,399
Operations and maintenance	15,079
Pupil transportation	101,273
Extracurricular activities	27,115
Food service operations	<u>10,045</u>
Total depreciation expense	<u>\$ 956,573</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During the fiscal year, the District entered into capitalized leases for computers and equipment. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as regular function expenditures on the budgetary statements.

Equipment in the amount of \$281,387 has not been capitalized since the assets do not meet the District's capitalization threshold. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaled \$73,859 paid by the general fund.

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

<u>Fiscal Year Ending June 30,</u>	
2010	\$ 74,326
2011	74,326
2012	<u>74,326</u>
Total minimum lease payments	222,978
Less amount representing interest	<u>(15,450)</u>
Total	<u>\$ 207,528</u>

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2009</u>	Amounts Due in <u>One Year</u>
General obligation bonds:					
1998 Refunding Bonds	\$ 369,072	\$ -	\$ (100,451)	\$ 268,621	\$ 94,499
2001 High School	8,350,000	-	(240,000)	8,110,000	245,000
Notes:					
Bond anticipation notes	6,539,000	-	(6,539,000)	-	-
Capital lease	-	281,387	(73,859)	207,528	66,698
Compensated absences	<u>535,256</u>	<u>298,599</u>	<u>(111,799)</u>	<u>722,056</u>	<u>117,589</u>
Total governmental activities	<u>\$ 15,793,328</u>	<u>\$ 579,986</u>	<u>\$ (7,065,109)</u>	<u>\$ 9,308,205</u>	<u>\$ 523,786</u>

Compensated Absences: Compensated absences will be paid from the fund from which the person is paid, which, for the District, are primarily the general fund and the food service fund (a nonmajor governmental fund).

Capital Lease Obligations: Capital lease obligations will be paid from the general fund (See Note 9).

1998 Refunding Bonds: The District issued general obligation bonds on October 1, 1990 for building additions. These bonds have an interest rate of 7.20% and will mature on December 1, 2011. Principal and interest will be paid from the debt service fund.

2001 High School Bonds: The District issued \$10,275,000 in general obligation bonds on May 1, 2002 for construction of a high school. The interest rate on these bonds range from 3.25% to 5.00% and will mature on December 1, 2029. Principal and interest will be paid from the debt service fund.

Bond Anticipation Notes: The bond anticipation notes were issued on November 21, 2007 and bore an interest rate of 3.44%. The notes matured on November 18, 2008.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 339,499	\$ 550,701	\$ 890,200
2011	345,401	549,921	895,322
2012	348,721	541,076	889,797
2013	280,000	354,357	634,357
2014	280,000	347,358	627,358
2015 - 2019	1,620,000	1,498,071	3,118,071
2020 - 2024	2,075,000	1,041,485	3,116,485
2025 - 2029	2,640,000	455,250	3,095,250
2030	450,000	11,250	461,250
Total	<u>\$ 8,378,621</u>	<u>\$ 5,349,469</u>	<u>\$ 13,728,090</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$19,875,013 (including available funds of \$7,373,927) and an unvoted debt margin of \$231,997

NOTE 11 - SHORT-TERM NOTES PAYABLE

A summary of the governmental activities short-term notes payable transactions for fiscal year 2009 follows:

	Issue Date	Maturity Date	Interest Rate (%)	Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009
Bond Anticipation Notes:							
Notes Series 2009	11/18/08	11/18/09	3.125	\$ -	\$ 6,070,000	\$ -	\$ 6,070,000

On November 18, 2008, the District issued \$6,070,000 in bond anticipation notes. The notes bore an interest rate of 3.125% and matured on November 18, 2009. The notes are booked as a fund liability in the classroom facilities fund.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - RISK MANAGEMENT

Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2009, the district contracted with Arthur J Gallagher & Co., through the Southwestern Ohio Educational Purchasing Council for property, general liability and auto insurance.

Professional liability is protected by Arthur J. Gallagher, with \$1,000,000 each occurrence, \$3,000,000 aggregate limit. Vehicles are covered with \$1,000 deductible for comprehensive and \$1,000 deductible for collision.

Public officials' bond insurance is provided by NB&T Insurance. The Treasurer is covered by a bond in the amount of \$15,000. All administrative assistants, accounts payable, student activity, and other District personnel are covered by a blanket employee bond of \$50,000.

Since January 1, 2008, the District health insurance has been a High Deductible Health Plan provided by Humana, coupled with a partially employer-funded Health Savings Account (HSA). Employee dental benefits were provided throughout the year by Delta Dental, and were also purchased through the EPC.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There was no significant reduction in coverage from the prior year.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$203,462, \$195,408 and \$213,322, respectively; 47.84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$912,062, \$881,608 and \$832,468, respectively; 82.49 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 \$14,700 made by the District and \$35,058 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit 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 the System 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 St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). 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, the actuarially determined 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$125,328, \$131,709 and \$100,785, respectively; 47.84 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 B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$16,787, \$14,080 and \$14,506, respectively; 47.84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$70,159, \$67,816 and \$64,036, respectively; 82.49 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ (583,267)
Net adjustment for revenue accruals	(57,628)
Net adjustment for expenditure accruals	(173,129)
Net adjustment for other sources/uses	235,263
Adjustment for encumbrances	<u>160,062</u>
GAAP basis	<u>\$ (418,699)</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 17 - STATUTORY RESERVES

The 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the District was also required to set-aside money for budget stabilization. At June 30, 2009, only the unspent portion of certain workers' compensation refunds continues to be set-aside. State statute includes specific purposes for which the monies representing BWC refunds can be used.

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NOTE 17 - STATUTORY RESERVES

During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbooks/ Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside balance as of June 30, 2008	\$ (690,843)	\$ -	\$ 43,584
Current year set-aside requirement	289,712	289,712	-
Current year offset	-	(240,000)	-
Qualifying disbursements	<u>(174,216)</u>	<u>(136,971)</u>	<u>-</u>
Total	<u>\$ (575,347)</u>	<u>\$ (87,259)</u>	<u>\$ 43,584</u>
Balance carried forward to fiscal year 2010	<u>\$ (575,347)</u>	<u>\$ -</u>	<u>\$ 43,584</u>

The District had qualifying disbursements during the fiscal year that reduced the textbooks/instructional materials set-aside amount below zero. This amount may be used to reduce the set-aside requirement of future years. Although the District had qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, these extra amounts may not be used to reduce the set-aside requirement in future fiscal years.

A schedule of the governmental fund restricted assets at June 30, 2009 follows:

Amount restricted for budget stabilization	<u>\$ 43,584</u>
--	------------------

NOTE 18 - CONTRACTUAL COMMITMENTS

As a result of the Ohio Schools Facilities Project that was in progress at June 30, 2009, the District had the following outstanding contractual commitments at fiscal year end:

Vendor	Contract Amount	Amount Paid	Amount Outstanding
Artic Heating & Air	\$ 3,645,403	\$ (3,396,479)	\$ 248,924
CR&R	3,531,184	(3,448,130)	83,054
Emerald Fire	316,400	(290,582)	25,818
G/C Contracting	8,663,219	(7,777,405)	885,814
Queen City Mechanical	647,260	(634,729)	12,531
Reddy Electric	4,749,577	(4,465,167)	284,410
Thomas J. Dryer Co.	712,844	(680,297)	32,547
Total Environmental	<u>108,718</u>	<u>(104,860)</u>	<u>3,858</u>
Total	<u>\$22,374,605</u>	<u>\$(20,797,649)</u>	<u>\$ 1,576,956</u>

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed through Ohio Department of Education:</i>					
Nutrition Cluster (Non Cash Assistance)					
Food Distribution Program	10.555	\$ -	\$ 22,734	\$ -	\$ 22,734
(Cash Assistance)					
National School Breakfast Program	10.553	19,074	----	19,074	----
National School Lunch	10.555	142,601	----	142,601	----
Total U.S. Department of Agriculture		161,675	22,734	161,675	22,734
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title I - FY 09	84.010	136,274	----	136,274	----
<i>Total Title I</i>		136,274	-	136,274	-
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY09	84.027	324,481	----	324,481	----
Educational Handicapped Preschool					
Preschool Subsidy - FY 09	84.173	6,346	----	6,346	----
<i>Total Special Education Cluster</i>		330,827	-	330,827	-
Drug Free Schools					
Drug Free Education - Subsidy - FY 09	84.186	2,240	----	2,240	----
<i>Total Drug Free School Grants</i>		2,240	-	2,240	-
Innovative Educational Program Strategies					
Innovative Ed - FY 09	84.298	2,800	----	2,800	----
<i>Total Innovative Ed</i>		2,800	-	2,800	-
Additional Programs:					
Educational Technology - FY 09	84.318	784	----	784	----
Improving Teacher Quality - FY 09	84.367	63,449	----	63,449	----
<i>Total Additional Programs</i>		64,233	-	64,233	-
<i>Passed through Great Oaks Institute of Technology and Career Development</i>					
Vocational Education Basic Grants to States					
Career Education - FY09	84.048	3,445	----	5,010	----
<i>Total Vocational Education</i>		3,445	-	5,010	-
Total Department of Education		539,819	-	541,384	-
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 701,494	\$ 22,734	\$ 703,059	\$ 22,734

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clinton-Massie Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted a certain internal control matter that we reported to the District's management in a separate letter dated March 10, 2010.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 10, 2010.

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



Mary Taylor, CPA
Auditor of State

March 10, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Clinton-Massie Local School District, Clinton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to 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 District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Clinton-Massie Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

March 10, 2010

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. 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 control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control 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 § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA: 84.027 and 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 ¹ Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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 Clinton-Massie Local School District (the 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 June 25, 2007.
2. We read the policy, noting it included the following requirements from 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 3313.666;
 - (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 guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (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.



Mary Taylor, CPA
Auditor of State

March 10, 2010



Mary Taylor, CPA
Auditor of State

CLINTON MASSIE LOCAL SCHOOL DISTRICT
CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 30, 2010