

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

JOHN STANLEY, TREASURER



Dave Yost • Auditor of State

Board of Education
East Clinton Local School District
97 College Street
Lees Creek, Ohio 45138

We have reviewed the *Independent Accountants' Report* of the East Clinton Local School District, Clinton County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 16, 2012

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**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

Board of Education
East Clinton Local School District
97 College Street
Lees Creek, Ohio 45138

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Clinton Local School District, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the East Clinton Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the East Clinton Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Clinton Local School District, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2011, the East Clinton Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011 on our consideration of the East Clinton Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the East Clinton Local School District's basic financial statements taken as a whole. The schedule of receipts and expenditures of federal awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of receipts and expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. 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 "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
December 21, 2011

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

As management of the East Clinton Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's performance.

This discussion and analysis of East Clinton Local School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011.

Financial Highlights

- In total, net assets increased \$266,526.
- The School District's assessed valuation decreased four percent during the fiscal year which caused a decrease in property tax revenue.
- Although overall expenses increased during the fiscal year, the School District's overall revenues remained consistent in exceeding expenses.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during 2011?" The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 6. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

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

The School District as a Whole

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

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 1 provides a summary of the School District's net assets at June 30, 2011 and June 30, 2010:

| Table 1 | | | |
|--|---------------------|---------------------|------------------|
| Net Assets | | | |
| Governmental Activities | | | |
| Assets | 2011 | 2010 | Change |
| Current and Other Assets | \$7,848,785 | \$7,601,350 | \$247,435 |
| Capital Assets, Net | 15,222,839 | 15,872,942 | (650,103) |
| Total Assets | 23,071,624 | 23,474,292 | (402,668) |
| | | | |
| Liabilities | | | |
| Other Liabilities | 4,365,587 | 4,816,846 | (451,259) |
| Long-Term Liabilities | 2,579,678 | 2,797,613 | (217,935) |
| Total Liabilities | 6,945,265 | 7,614,459 | (669,194) |
| | | | |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 13,447,492 | 13,866,686 | (419,194) |
| Restricted | 2,141,499 | 2,010,406 | 131,093 |
| Unrestricted (Deficit) | 537,368 | (17,259) | 554,627 |
| Total Net Assets | \$16,126,359 | \$15,859,833 | \$266,526 |

Net assets increased \$266,526. Invested in capital assets, net of related debt decreased \$419,194 which was primarily due to depreciation exceeding additions for the fiscal year. Unrestricted net assets increased \$554,627 due primarily to overall revenues exceeding expenses during the fiscal year.

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

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, operating grants, contributions and interest, and capital grants and contributions. General Revenues include taxes, unrestricted grants, such as State foundation support, unrestricted gifts and donations, unrestricted investment earnings and miscellaneous revenue.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2
Change in Net Assets
Governmental Activities

| Revenues | 2011 | 2010 | Change |
|--|---------------------|---------------------|------------------|
| Program Revenues: | | | |
| Charges for Services and Sales | \$945,642 | \$1,024,917 | (\$79,275) |
| Operating Grants, Contributions and Interest | 2,364,651 | 2,280,155 | 84,496 |
| Capital Grants and Contributions | 116,328 | 115,158 | 1,170 |
| Total Program Revenues | 3,426,621 | 3,420,230 | 6,391 |
| General Revenues: | | | |
| Property Taxes | 2,956,980 | 3,058,823 | (101,843) |
| Grants and Entitlements not Restricted to Specific Programs | 7,952,897 | 7,732,180 | 220,717 |
| Gifts and Donations | 0 | 5,800 | (5,800) |
| Investment Earnings | 60,791 | 58,853 | 1,938 |
| Gain on Sale of Capital Assets | 629 | 0 | 629 |
| Miscellaneous | 76,739 | 114,645 | (37,906) |
| Total General Revenues | 11,048,036 | 10,970,301 | 77,735 |
| Total Revenues | 14,474,657 | 14,390,531 | 84,126 |
| Program Expenses | | | |
| Instruction: | | | |
| Regular | 6,334,650 | 6,039,327 | 295,323 |
| Special | 1,457,098 | 1,577,915 | (120,817) |
| Vocational | 91,563 | 113,550 | (21,987) |
| Student Intervention Services | 179 | 5,813 | (5,634) |
| Support Services: | | | |
| Pupils | 474,146 | 567,965 | (93,819) |
| Instructional Staff | 923,454 | 879,046 | 44,408 |
| Board of Education | 39,642 | 40,616 | (974) |
| Administration | 1,059,832 | 906,377 | 153,455 |
| Fiscal | 321,923 | 334,803 | (12,880) |
| Business | 4,213 | 4,395 | (182) |
| Operation and Maintenance of Plant | 1,477,805 | 1,284,057 | 193,748 |
| Pupil Transportation | 877,574 | 868,029 | 9,545 |
| Central | 122,079 | 89,134 | 32,945 |
| Operation of Non-Instructional Services: | | | |
| Other | 20,654 | 11,655 | 8,999 |
| Food Service Operations | 583,249 | 569,186 | 14,063 |
| Extracurricular Activities | 283,177 | 404,078 | (120,901) |
| Interest and Fiscal Charges | 136,893 | 67,367 | 69,526 |
| Total Expenses | 14,208,131 | 13,763,313 | 444,818 |
| Increase (Decrease) in Net Assets | 266,526 | 627,218 | (360,692) |
| Net Assets at Beginning of Year | 15,859,833 | 15,232,615 | 627,218 |
| Net Assets at End of Year | \$16,126,359 | \$15,859,833 | \$266,526 |

*East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

Governmental Activities

Property taxes decreased \$101,843 due to a decrease in valuation.

Grants and entitlements not restricted to specific programs increased \$220,717 due to an increase in State Foundation payments as a result of the School District's decrease in valuation.

Regular instruction increased \$295,323 due to an increase in outgoing open enrollment and post secondary students. Special instruction decreased \$120,817. This was caused by a decrease in the amount of available Title VI-B monies. Administration increased \$153,455 due to increased costs of materials and employee insurances. Operation and maintenance of plant increased \$193,748 due to increasing costs of supplies and utilities along with an increase in the cost of benefits paid to employees. Extracurricular activities decreased \$120,901 due to a decrease in accounts payable related to extracurricular activities.

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

Table 3
Governmental Activities

| | Total Cost of Services 2011 | Total Cost of Services 2010 | Net Cost of Services 2011 | Net Cost of Services 2010 |
|-----------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Instruction | \$7,883,490 | \$7,736,605 | \$5,691,823 | \$5,373,950 |
| Support Services | 5,300,668 | 4,974,422 | 4,837,102 | 4,621,528 |
| Operation of Non- | | | | |
| Instructional Services | 603,903 | 580,841 | (72,738) | (30,078) |
| Extracurricular Activities | 283,177 | 404,078 | 188,430 | 310,316 |
| Interest and Fiscal Charges | 136,893 | 67,367 | 136,893 | 67,367 |
| Total Expenses | \$14,208,131 | \$13,763,313 | \$10,781,510 | \$10,343,083 |

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,317,059 and expenditures of \$13,777,473.

The net change in the General Fund balance for the fiscal year was an increase of \$519,408. This was due to overall revenues exceeding expenditures.

The Bond Retirement Fund balance decreased \$29,639.

*East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

The Permanent Improvement Fund balance decreased \$101,596. This was due to an increase in operation and maintenance of plant and pupil transportation expenditures.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2011, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$57,528 above the final budgeted amount in the General Fund.

For the General Fund, actual revenue was \$11,303,016 with final budget estimates of \$11,307,939, a difference of \$4,923. Original budgeted amounts were \$11,374,682, a difference of \$66,743 from final budget estimates.

Budget basis expenditures were \$11,030,334 with final appropriations of \$11,092,785, a difference of \$62,451. Original estimated expenditures of \$11,395,980 varied from final budget basis expenditures by \$303,195.

Capital Assets and Debt Administration

Capital Assets

The East Clinton Local School District's investment in capital assets as of June 30, 2011 was \$15,222,839. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows June 30, 2011 balances compared to June 30, 2010:

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

| | 2011 | 2010 |
|-----------------------------------|---------------------|---------------------|
| Land | \$426,976 | \$426,976 |
| Buildings and Improvements | 13,971,931 | 14,619,219 |
| Furniture, Fixtures and Equipment | 363,720 | 401,313 |
| Vehicles | 460,212 | 425,434 |
| Totals | <u>\$15,222,839</u> | <u>\$15,872,942</u> |

Net capital assets decreased \$650,103 primarily as a result of the current year depreciation expense offset by additions to capital assets.

*East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

For more information on capital assets, refer to note 10 of the basic financial statements.

Debt

At June 30, 2011 the School District had \$2,215,272 in bonds outstanding, with \$295,000 due within one year. Table 5 summarizes outstanding bonds:

Table 5
Outstanding Debt, at June 30,

| | 2011 | 2010 |
|---|-------------|-------------|
| 2003 - School Improvement Refunding Bonds | \$1,244,998 | \$1,499,998 |
| Accretion on Capital Appreciation Bonds | 396,856 | 311,077 |
| Premium on Refunding | 154,740 | 180,530 |
| Deferred Gain on Refunding | (136,322) | (155,796) |
| 2010 - Energy Conservation Bonds | 555,000 | 595,000 |
| Totals | \$2,215,272 | \$2,430,809 |

School Improvement Refunding Bonds 2003

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

Energy Conservation Bonds 2010

The School District issued \$595,000 in energy conservation bonds for the purpose of making energy efficient upgrades. The bonds were issued for a 15 year period with final maturity in December 2024.

The School District's voted legal debt margin was \$10,494,427 with an energy conservation debt margin of \$576,967 and an unvoted debt margin of \$125,774 at June 30, 2011.

For more information on debt, refer to note 15 of the basic financial statements.

*East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

District Challenges for the Future

School funding in Ohio is still the School District's biggest challenge as we are heavily dependent on State funding. While the Ohio Supreme Court ruled in March 1997 that Ohio's funding of public schools is unconstitutional and needs to be restricted, subsequent Court reviews of the legislature have not adequately responded to the specifics of the ruling. H.B. 66, passed in June 2005, has not helped school districts' financial future. Two of the major issues with H.B. 66 is the phase out of the cost of doing business factor and the phase out of personal tangible property tax with no long-term replacement revenue. Thus, many school districts believe Ohio's public schools continue to be funded through an inadequate and inequitable system.

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

The projection of student enrollment is another issue that is difficult to forecast. During the last several fiscal years, the School District's student enrollment has risen and fallen. These fluctuations make it very difficult to forecast an accurate financial picture of the School District. The transient nature of the School District's residents and students choosing one of the above mentioned alternatives to public education makes estimating the number of students to be funded through the school foundation program difficult.

The School District continues to demonstrate fiscal responsibility by doing whatever is necessary to keep the School District in the "black". The School District is proud to have an "effective" rating for the tenth consecutive fiscal year on the State mandated Report Card. Parents, students and staff are to be commended for the commitment of a quality education for the students of the School District. The Board and administrators are hopeful that public school funding in Ohio is a priority for Ohio's political leaders, and that it will permit the School District to continue to provide a quality education for its students.

Contacting the School District's Financial Management

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

BASIC FINANCIAL STATEMENTS

East Clinton Local School District

Statement of Net Assets

June 30, 2011

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$4,192,387 |
| Accrued Interest Receivable | 7,925 |
| Materials and Supplies Inventory | 1,910 |
| Inventory Held for Resale | 13,795 |
| Intergovernmental Receivable | 255,830 |
| Property Taxes Receivable | 3,333,869 |
| Deferred Charges | 43,069 |
| Capital Assets: | |
| Land | 426,976 |
| Depreciable Capital Assets, Net | 14,795,863 |
| <i>Total Assets</i> | <u>23,071,624</u> |
| Liabilities | |
| Accounts Payable | 86,257 |
| Accrued Wages and Benefits Payable | 1,219,956 |
| Intergovernmental Payable | 195,001 |
| Deferred Revenue | 2,829,423 |
| Matured Compensated Absences Payable | 30,956 |
| Accrued Interest Payable | 3,994 |
| Long-Term Liabilities: | |
| Due Within One Year | 331,425 |
| Due in More Than One Year | 2,248,253 |
| <i>Total Liabilities</i> | <u>6,945,265</u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 13,447,492 |
| Restricted for: | |
| Capital Projects | 652,436 |
| Debt Service | 300,199 |
| Classroom Facilities | 336,379 |
| Other Purposes | 499,104 |
| Library Materials and Services: | |
| Expendable | 53,381 |
| Nonexpendable | 300,000 |
| Unrestricted | 537,368 |
| <i>Total Net Assets</i> | <u><u>\$16,126,359</u></u> |

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

| | Program Revenues | | | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets |
|--|--------------------------------------|--|--|--|--|
| | Charges for Services and Sales | Operating Grants, Contributions and Interest | Grants, Contributions and Interest | | |
| Expenses | | | | | Governmental Activities |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$6,334,650 | \$581,231 | \$91,172 | \$32,712 | (\$5,629,535) |
| Special | 1,457,098 | 0 | 1,448,672 | 0 | (8,426) |
| Vocational | 91,563 | 0 | 37,880 | 0 | (53,683) |
| Student Intervention Services | 179 | 0 | 0 | 0 | (179) |
| Support Services: | | | | | |
| Pupils | 474,146 | 0 | 4,083 | 0 | (470,063) |
| Instructional Staff | 923,454 | 0 | 186,880 | 0 | (736,574) |
| Board of Education | 39,642 | 0 | 0 | 0 | (39,642) |
| Administration | 1,059,832 | 0 | 84,616 | 0 | (975,216) |
| Fiscal | 321,923 | 0 | 49,752 | 2,157 | (270,014) |
| Business | 4,213 | 0 | 0 | 0 | (4,213) |
| Operation and Maintenance of Plant | 1,477,805 | 2,925 | 18,848 | 55,630 | (1,400,402) |
| Pupil Transportation | 877,574 | 0 | 18,785 | 25,829 | (832,960) |
| Central | 122,079 | 0 | 14,061 | 0 | (108,018) |
| Operation of Non-Instructional Services: | | | | | |
| Other | 20,654 | 0 | 4,733 | 0 | (15,921) |
| Food Service Operations | 583,249 | 266,739 | 405,169 | 0 | 88,659 |
| Extracurricular Activities | 283,177 | 94,747 | 0 | 0 | (188,430) |
| Interest and Fiscal Charges | 136,893 | 0 | 0 | 0 | (136,893) |
| Total Governmental Activities | \$14,208,131 | \$945,642 | \$2,364,651 | \$116,328 | (10,781,510) |
| General Revenues | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | | 2,369,691 |
| Debt Service | | | | | 243,973 |
| Capital Outlay | | | | | 295,234 |
| Classroom Facilities Maintenance | | | | | 48,082 |
| Grants and Entitlements not | | | | | |
| Restricted to Specific Programs | | | | | 7,952,897 |
| Investment Earnings | | | | | 60,791 |
| Gain on Sale of Capital Assets | | | | | 629 |
| Miscellaneous | | | | | 76,739 |
| Total General Revenues | | | | | 11,048,036 |
| Change in Net Assets | | | | | 266,526 |
| Net Assets at Beginning of Year | | | | | 15,859,833 |
| Net Assets at End of Year | | | | | \$16,126,359 |

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District

Balance Sheet
Governmental Funds
June 30, 2011

| | General Fund | Bond Retirement Fund | Permanent Improvement Fund |
|--|-----------------------------|-----------------------------|----------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,220,799 | \$260,189 | \$643,651 |
| Materials and Supplies Inventory | 0 | 0 | 0 |
| Inventory Held for Resale | 0 | 0 | 0 |
| Accrued Interest Receivable | 6,402 | 0 | 0 |
| Interfund Receivable | 417 | 0 | 0 |
| Intergovernmental Receivable | 0 | 0 | 0 |
| Property Taxes Receivable | 2,684,967 | 267,268 | 328,556 |
| | <u> </u> | <u> </u> | <u> </u> |
| <i>Total Assets</i> | <u>\$4,912,585</u> | <u>\$527,457</u> | <u>\$972,207</u> |
| Liabilities | | | |
| Accounts Payable | \$40,272 | \$0 | \$41,288 |
| Accrued Wages and Benefits Payable | 1,071,973 | 0 | 0 |
| Matured Compensated Absences Payable | 30,956 | 0 | 0 |
| Interfund Payable | 0 | 0 | 0 |
| Intergovernmental Payable | 174,627 | 0 | 0 |
| Deferred Revenue | 2,506,547 | 247,432 | 306,039 |
| | <u> </u> | <u> </u> | <u> </u> |
| <i>Total Liabilities</i> | <u>3,824,375</u> | <u>247,432</u> | <u>347,327</u> |
| Fund Balances | | | |
| Nonspendable | 0 | 0 | 0 |
| Restricted | 0 | 280,025 | 624,880 |
| Committed | 30,140 | 0 | 0 |
| Assigned | 117,153 | 0 | 0 |
| Unassigned (Deficit) | 940,917 | 0 | 0 |
| | <u> </u> | <u> </u> | <u> </u> |
| <i>Total Fund Balances</i> | <u>1,088,210</u> | <u>280,025</u> | <u>624,880</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$4,912,585</u> | <u>\$527,457</u> | <u>\$972,207</u> |

See Accompanying Notes to the Basic Financial Statements

| All Other Governmental Funds | Total Governmental Funds |
|------------------------------------|--------------------------------|
| \$1,067,748 | \$4,192,387 |
| 1,910 | 1,910 |
| 13,795 | 13,795 |
| 1,523 | 7,925 |
| 0 | 417 |
| 255,830 | 255,830 |
| 53,078 | 3,333,869 |
| <u>\$1,393,884</u> | <u>\$7,806,133</u> |
| \$4,697 | \$86,257 |
| 147,983 | 1,219,956 |
| 0 | 30,956 |
| 417 | 417 |
| 20,374 | 195,001 |
| 206,662 | 3,266,680 |
| <u>380,133</u> | <u>4,799,267</u> |
| 315,705 | 315,705 |
| 700,442 | 1,605,347 |
| 0 | 30,140 |
| 0 | 117,153 |
| (2,396) | 938,521 |
| <u>1,013,751</u> | <u>3,006,866</u> |
| <u>\$1,393,884</u> | <u>\$7,806,133</u> |

East Clinton Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011

Total Governmental Fund Balances \$3,006,866

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

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

| | | |
|--------------------------|--------------|------------|
| Land | 426,976 | |
| Other capital assets | 27,328,984 | |
| Accumulated depreciation | (12,533,121) | |
| Total capital assets | 15,222,839 | 15,222,839 |

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

| | | |
|-------------------|---------|---------|
| Taxes | 276,169 | |
| Intergovernmental | 156,419 | |
| Interest | 4,669 | |
| | 437,257 | 437,257 |

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 43,069

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (3,994)

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

| | | |
|---|-------------|-------------|
| Bonds payable | (1,244,998) | |
| Accretion on capital appreciation bonds | (396,856) | |
| Premium on debt issue | (154,740) | |
| Deferred gain on refunding | 136,322 | |
| Energy conservation bonds payable | (555,000) | |
| Compensated absences | (364,406) | |
| Total liabilities | (2,579,678) | (2,579,678) |

Net Assets of Governmental Activities \$16,126,359

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

| | General Fund | Bond Retirement Fund | Permanent Improvement Fund |
|---|---------------------------|----------------------------|----------------------------------|
| Revenues | | | |
| Property Taxes | \$2,328,422 | \$235,720 | \$290,048 |
| Intergovernmental | 8,216,389 | 41,711 | 116,328 |
| Investment Earnings | 59,841 | 0 | 0 |
| Tuition and Fees | 581,231 | 0 | 0 |
| Rent | 2,925 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Customer Sales and Services | 0 | 0 | 0 |
| Miscellaneous | 72,258 | 0 | 0 |
| <i>Total Revenues</i> | <u>11,261,066</u> | <u>277,431</u> | <u>406,376</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 5,362,476 | 0 | 142,846 |
| Special | 954,755 | 0 | 0 |
| Vocational | 81,707 | 0 | 0 |
| Student Intervention Services | 179 | 0 | 0 |
| Support Services: | | | |
| Pupils | 470,121 | 0 | 0 |
| Instructional Staff | 771,862 | 0 | 0 |
| Board of Education | 39,642 | 0 | 0 |
| Administration | 658,857 | 0 | 0 |
| Fiscal | 296,792 | 7,461 | 9,420 |
| Business | 4,213 | 0 | 0 |
| Operation and Maintenance of Plant | 1,114,916 | 0 | 242,917 |
| Pupil Transportation | 670,282 | 0 | 112,789 |
| Central | 108,331 | 0 | 0 |
| Operation of Non-Instructional Services: | | | |
| Other | 10,462 | 0 | 0 |
| Food Service Operations | 0 | 0 | 0 |
| Extracurricular Activities | 157,054 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 40,000 | 255,000 | 0 |
| Interest and Fiscal Charges | 7,475 | 44,609 | 0 |
| <i>Total Expenditures</i> | <u>10,749,124</u> | <u>307,070</u> | <u>507,972</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | 511,942 | (29,639) | (101,596) |
| Other Financing Sources (Uses) | | | |
| Proceeds from Sale of Capital Assets | 7,485 | 0 | 0 |
| Transfers In | 0 | 0 | 0 |
| Transfers Out | (19) | 0 | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>7,466</u> | <u>0</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | 519,408 | (29,639) | (101,596) |
| <i>Fund Balances at Beginning of Year - Restated (See Note 3)</i> | <u>568,802</u> | <u>309,664</u> | <u>726,476</u> |
| <i>Fund Balances at End of Year</i> | <u><u>\$1,088,210</u></u> | <u><u>\$280,025</u></u> | <u><u>\$624,880</u></u> |

See Accompanying Notes to the Basic Financial Statements

| <u>All Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---|
| \$47,241 | \$2,901,431 |
| 1,952,280 | 10,326,708 |
| 6,698 | 66,539 |
| 0 | 581,231 |
| 0 | 2,925 |
| 94,747 | 94,747 |
| 266,739 | 266,739 |
| 4,481 | 76,739 |
| <u>2,372,186</u> | <u>14,317,059</u> |
| 294,135 | 5,799,457 |
| 521,598 | 1,476,353 |
| 0 | 81,707 |
| 0 | 179 |
| 2,110 | 472,231 |
| 151,975 | 923,837 |
| 0 | 39,642 |
| 377,526 | 1,036,383 |
| 7,999 | 321,672 |
| 0 | 4,213 |
| 88,782 | 1,446,615 |
| 86,501 | 869,572 |
| 13,738 | 122,069 |
| 4,127 | 14,589 |
| 574,942 | 574,942 |
| 89,874 | 246,928 |
| 0 | 295,000 |
| 0 | 52,084 |
| <u>2,213,307</u> | <u>13,777,473</u> |
| 158,879 | 539,586 |
| 0 | 7,485 |
| 19 | 19 |
| 0 | (19) |
| <u>19</u> | <u>7,485</u> |
| 158,898 | 547,071 |
| <u>854,853</u> | <u>2,459,795</u> |
| <u><u>\$1,013,751</u></u> | <u><u>\$3,006,866</u></u> |

East Clinton Local School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$547,071

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

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

| | | |
|--|-----------|-----------|
| Capital assets additions | 184,958 | |
| Depreciation expense | (828,205) | |
| | | |
| Excess of depreciation expense over capital outlay | | (643,247) |

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a gain on the sale of capital assets in the Statement of Activities.

| | | |
|--|---------|---------|
| Proceeds from the sale of capital assets | (7,485) | |
| Gain on disposal of capital assets | 629 | |
| | | |
| | | (6,856) |

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

| | | |
|---------------------------|---------|---------|
| Delinquent property taxes | 55,549 | |
| Intergovernmental | 103,107 | |
| Interest | (1,687) | |
| | | |
| | | 156,969 |

In the Statement of Activities, interest accrued on outstanding bonds and bond accretion, bond premium, and bond issuance costs are amortized over the terms of the bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued:

| | | |
|--|----------|----------|
| Decrease in accrued interest payable | 692 | |
| Accretion on bonds | (85,779) | |
| Amortization of bond issuance costs | (6,038) | |
| Amortization of deferred amount on refunding | (19,474) | |
| Amortization of bond premium | 25,790 | |
| | | |
| | | (84,809) |

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

| | | |
|----------------------|--|---------|
| Principal retirement | | 295,000 |
|----------------------|--|---------|

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

| | | |
|--|--|-------|
| Decrease in compensated absences payable | | 2,398 |
| | | |

Change in Net Assets of Governmental Activities \$266,526

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$2,698,292 | \$2,392,668 | \$2,392,668 | \$0 |
| Intergovernmental | 7,998,186 | 8,213,857 | 8,213,857 | 0 |
| Investment Earnings | 39,025 | 45,000 | 40,077 | (4,923) |
| Tuition and Fees | 565,970 | 581,231 | 581,231 | 0 |
| Rent | 2,848 | 2,925 | 2,925 | 0 |
| Miscellaneous | 70,361 | 72,258 | 72,258 | 0 |
| <i>Total Revenues</i> | <u>11,374,682</u> | <u>11,307,939</u> | <u>11,303,016</u> | <u>(4,923)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,617,768 | 4,537,705 | 4,537,483 | 222 |
| Special | 1,077,540 | 940,910 | 940,668 | 242 |
| Vocational | 87,049 | 90,227 | 90,227 | 0 |
| Student Intervention Services | 0 | 179 | 179 | 0 |
| Other | 766,655 | 856,403 | 856,403 | 0 |
| Support Services: | | | | |
| Pupils | 497,048 | 477,168 | 476,948 | 220 |
| Instructional Staff | 802,256 | 785,912 | 785,692 | 220 |
| Board of Education | 48,267 | 47,007 | 47,007 | 0 |
| Administration | 657,563 | 621,511 | 621,509 | 2 |
| Fiscal | 328,731 | 298,303 | 297,701 | 602 |
| Business | 6,000 | 4,213 | 4,213 | 0 |
| Operation and Maintenance of Plant | 1,321,506 | 1,266,337 | 1,224,490 | 41,847 |
| Pupil Transportation | 801,582 | 727,122 | 708,026 | 19,096 |
| Central | 79,065 | 108,622 | 108,622 | 0 |
| Operation of Non-Instructional Services | 900 | 10,462 | 10,462 | 0 |
| Extracurricular Activities | 198,717 | 215,371 | 215,371 | 0 |
| Capital Outlay | 57,858 | 57,858 | 57,858 | 0 |
| Principal | 40,000 | 40,000 | 40,000 | 0 |
| Interest | 7,475 | 7,475 | 7,475 | 0 |
| <i>Total Expenditures</i> | <u>11,395,980</u> | <u>11,092,785</u> | <u>11,030,334</u> | <u>62,451</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(21,298)</u> | <u>215,154</u> | <u>272,682</u> | <u>57,528</u> |
| Other Financing Sources (Uses) | | | | |
| Refund of Prior Year Expenditures | 0 | 2,532 | 2,532 | 0 |
| Proceeds from Sale of Capital Assets | 0 | 7,485 | 7,485 | 0 |
| Transfers Out | (60,248) | (19) | (19) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(60,248)</u> | <u>9,998</u> | <u>9,998</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | <u>(81,546)</u> | <u>225,152</u> | <u>282,680</u> | <u>57,528</u> |
| <i>Fund Balance at Beginning of Year, Restated</i> | <u>1,530,775</u> | <u>1,530,775</u> | <u>1,530,775</u> | <u>0</u> |
| <i>Prior Year Encumbrances Appropriated</i> | <u>223,245</u> | <u>223,245</u> | <u>223,245</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u>\$1,672,474</u> | <u>\$1,979,172</u> | <u>\$2,036,700</u> | <u>\$57,528</u> |

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

| | Private Purpose Trust | |
|--|--------------------------|----------|
| | Scholarship | Agency |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$11,847 | \$49,944 |
| Liabilities | | |
| Undistributed Monies | 0 | \$49,944 |
| Net Assets | | |
| Held in Trust for Scholarships | 11,847 | |
| <i>Total Net Assets</i> | \$11,847 | |

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2011

| | <u>Private Purpose Trust</u> | |
|--|----------------------------------|--|
| | <u>Scholarship</u> | |
| Additions | | |
| Interest | \$260 | |
| Deductions | | |
| Payments in Accordance with Trust Agreements | <u>1,000</u> | |
| <i>Change in Net Assets</i> | (740) | |
| <i>Net Assets at Beginning of Year</i> | <u>12,587</u> | |
| <i>Net Assets at End of Year</i> | <u><u>\$11,847</u></u> | |

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

East Clinton Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The Board controls the School District’s four instructional support facilities staffed by 77 non-certified employees, 111 teaching personnel and 6 administrative employees providing education to 1,443 students.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For East Clinton Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in six organizations, four of which are defined as jointly governed organizations, one as an insurance purchasing pool and one as a public entity shared risk pool. These organizations are the Miami Valley Educational Computer Association, the Great Oaks Institute of Technology and Career Development, the Southern Buckeye Conference, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan and the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust. These organizations are presented in Notes 16 and 17 to the basic financial statements.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Clinton Local School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

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

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District fall within two categories: governmental and fiduciary.

Governmental Funds:

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

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Funds:

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Cash and Cash Equivalents

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

During fiscal year 2011, the School District’s investments were limited to Goldman Sachs Financial Square Money Market Mutual Fund, U.S. Treasury Money Market Mutual Fund, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, Negotiable Certificates of Deposit, Student Loan Marketing Association Notes and Tennessee Valley Authority Notes. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as negotiable certificates of deposit are reported at cost. For investments in open-ended mutual funds, the fair value is determined by the fund’s current share price.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$59,841, which includes \$24,176 assigned from other School District funds.

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

G. Inventory

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

J. Accrued Liabilities and Long-term Obligations

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

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

K. Interfund Balances

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants restricted to expenditures for specified purposes.

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

M. Internal Activity

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the current period. Interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

As permitted by Sate statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

O. Gain/Loss on Advance Refunding

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Estimates

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

Q. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

The School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the following change to fund balances at June 30, 2010, as previously reported:

| | General Fund | All Other Governmental Funds |
|---|-----------------|------------------------------------|
| Fund Balance, June 30, 2010, as previously reported | \$539,105 | \$884,550 |
| Reclassification of Funds | 29,697 | (29,697) |
| Fund Balance, June 30, 2010, as restated | \$568,802 | \$854,853 |

NOTE 4 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 4 - FUND BALANCES (Continued)

| Fund Balances | General | Bond Retirement | Permanent Improvement | All Other Governmental Funds | Total |
|------------------------------------|--------------------|--------------------|--------------------------|------------------------------------|--------------------|
| <i>Nonspendable</i> | | | | | |
| Endowment Fund | \$0 | \$0 | \$0 | \$300,000 | \$300,000 |
| Inventory | 0 | 0 | 0 | 15,705 | 15,705 |
| <i>Total Nonspendable</i> | 0 | 0 | 0 | 315,705 | 315,705 |
| <i>Restricted for</i> | | | | | |
| Debt Payments | 0 | 280,025 | 0 | 0 | 280,025 |
| Food Service Operations | 0 | 0 | 0 | 233,693 | 233,693 |
| Miscellaneous Grants | 0 | 0 | 0 | 13,090 | 13,090 |
| District Managed Activity | 0 | 0 | 0 | 36,229 | 36,229 |
| Capital Maintenance | 0 | 0 | 0 | 331,901 | 331,901 |
| Capital Improvements | 0 | 0 | 624,880 | 0 | 624,880 |
| Library Services | 0 | 0 | 0 | 52,561 | 52,561 |
| Fine Arts Activity | 0 | 0 | 0 | 32,968 | 32,968 |
| <i>Total Restricted</i> | 0 | 280,025 | 624,880 | 700,442 | 1,605,347 |
| <i>Committed to</i> | | | | | |
| Underground Storage | 11,000 | 0 | 0 | 0 | 11,000 |
| Termination Benefits | 19,140 | 0 | 0 | 0 | 19,140 |
| <i>Total Committed</i> | 30,140 | 0 | 0 | 0 | 30,140 |
| <i>Assigned to</i> | | | | | |
| Public School Support | 787 | 0 | 0 | 0 | 787 |
| Student Instruction | 15,976 | 0 | 0 | 0 | 15,976 |
| Student and Staff Support | 100,390 | 0 | 0 | 0 | 100,390 |
| <i>Unassigned (Deficit)</i> | 940,917 | 0 | 0 | (2,396) | 938,521 |
| <i>Total Fund Balances</i> | \$1,088,210 | \$280,025 | \$624,880 | \$1,013,751 | \$3,006,866 |

NOTE 5 - ACCOUNTABILITY

The ARRA State Fiscal Stabilization Special Revenue Fund had a deficit fund balance of \$2,396 for the fiscal year ended June 30, 2011. The deficit was created by the recognition of accrued liabilities related to accrued wages and intergovernmental payables on those accrued wages. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.

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

| | <u>Net Change in Fund Balance</u> |
|---|-----------------------------------|
| GAAP Basis | \$519,408 |
| Adjustments: | |
| Revenue Accruals | 59,414 |
| Net Increase in Fair Value of Investments - Fiscal Year 2010 | 8,393 |
| Net Increase in Fair Value of Investments - Fiscal Year 2011 | (2,589) |
| Unrecorded Cash | (20,736) |
| Expenditure Accruals | (120,019) |
| Encumbrances | (161,191) |
| Budget Basis | <u><u>\$282,680</u></u> |

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 7 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 7 - DEPOSITS AND INVESTMENTS (Continued)

8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2011, the School District had the following investments, which are in an internal investment pool:

| Investment Type | Fair Value | Less Than 1 | 1-3 | 3-5 | Moody Rating | of Total Investments |
|--|---------------------------|-------------------------|-------------------------|-------------------------|-----------------|-------------------------|
| Goldman Sachs Financial Square Money Market Mutual Fund | \$31,316 | \$31,316 | \$0 | \$0 | Aaa | 2.12% |
| U.S. Treasury Money Market Mutual Fund | 8,779 | 8,779 | 0 | 0 | Aaa | 0.6% |
| Negotiable Certificates of Deposit | 397,275 | 280,847 | 116,428 | 0 | N/A | 27.01% |
| Federal Home Loan Bank Notes | 685,614 | 575,539 | 110,075 | 0 | Aaa | 46.61% |
| Federal National Mortgage Association Notes | 296,038 | 0 | 0 | 296,038 | Aaa | 20.13% |
| Student Loan Marketing Association Notes | 26,871 | 0 | 26,871 | 0 | Aaa | 1.83% |
| Tennessee Valley Authority Notes | 24,933 | 24,933 | 0 | 0 | Aaa | 1.70% |
| Total Investments | <u>\$1,470,826</u> | <u>\$921,414</u> | <u>\$253,374</u> | <u>\$296,038</u> | | |

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The Goldman Sachs Financial Square Money Market Mutual Fund, U.S. Treasury Money Market Mutual Fund, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, Student Loan Marketing Association Notes and Tennessee Valley Authority Notes carry ratings of AAA by Moody's. Ohio law requires that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices. The negotiable certificates of deposit are in denominations of under \$100,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. The School District has no investment policy that addresses credit risk.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 7 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, student loan marketing association notes and Tennessee Valley Authority notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer.

NOTE 8 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 8 - PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Clinton and Highland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 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 deferred revenue.

The amounts available to advance at June 30, 2011, were \$179,681 in the General Fund, \$19,836 in the Bond Retirement Fund, \$22,517 in the Permanent Improvement Fund, and \$3,655 in the Classroom Facilities Maintenance Fund. The amounts available to advance at June 30, 2010, were \$243,927 in the General Fund, \$21,883 in the Bond Retirement Fund, \$30,602 in the Permanent Improvement Fund, and \$4,972 in the Classroom Facilities Maintenance Fund.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 8 - PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2011 taxes were collected are:

| | <u>2010 Second- Half Collections</u> | | <u>2011 First- Half Collections</u> | |
|---|--|----------------|---|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/Residential and Other Real Estate | \$126,462,680 | 96.53% | \$121,255,610 | 96.35% |
| Public Utility | 4,323,520 | 3.30% | 4,592,200 | 3.65% |
| Tangible Personal Property | 224,650 | 0.17% | 0 | 0.00% |
| Total Assessed Value | <u>\$131,010,850</u> | <u>100.00%</u> | <u>\$125,847,810</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$34.80 | | \$35.30 | |

NOTE 9 - RECEIVABLES

Receivables at June 30, 2011 consisted of interest, intergovernmental grants and property taxes. All receivables, except delinquent property taxes, are considered collectible in full and will be received in one year, due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

| | <u>Amounts</u> |
|-------------------------------------|------------------|
| <u>Governmental Activities:</u> | |
| Title VI-B - Grant | \$88,746 |
| Title I Grant | 96,493 |
| Preschool Disabilities Grant | 3,693 |
| Reducing Class Size Grant | 66,898 |
| Total Intergovernmental Receivables | <u>\$255,830</u> |

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 10 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

| | Balance at 6/30/10 | Additions | Deductions | Balance at 6/30/11 |
|---|-----------------------|--------------------|------------------|-----------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$426,976 | \$0 | \$0 | \$426,976 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 23,814,070 | 11,894 | 0 | 23,825,964 |
| Furniture, Fixtures and Equipment | 2,306,690 | 33,030 | (3,996) | 2,335,724 |
| Vehicles | 1,094,612 | 140,034 | (67,350) | 1,167,296 |
| Total Capital Assets Being Depreciated | <u>27,215,372</u> | <u>184,958</u> | <u>(71,346)</u> | <u>27,328,984</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (9,194,851) | (659,182) | 0 | (9,854,033) |
| Furniture, Fixtures and Equipment | (1,905,377) | (70,502) | 3,875 | (1,972,004) |
| Vehicles | (669,178) | (98,521) | 60,615 | (707,084) |
| Total Accumulated Depreciation | <u>(11,769,406)</u> | <u>(828,205) *</u> | <u>64,490</u> | <u>(12,533,121)</u> |
| Total Capital Assets Being Depreciated, Net | <u>15,445,966</u> | <u>(643,247)</u> | <u>(6,856)</u> | <u>14,795,863</u> |
| Governmental Activities Capital Assets, Net | <u>\$15,872,942</u> | <u>(\$643,247)</u> | <u>(\$6,856)</u> | <u>\$15,222,839</u> |

* Depreciation expense was charged to governmental functions as follows:

| | |
|---|------------------|
| Instruction: | |
| Regular | \$540,646 |
| Special | 1,990 |
| Vocational | 11,094 |
| Support Services: | |
| Administration | 22,234 |
| Operation and Maintenance of Plant | 84,703 |
| Pupil Transportation | 117,966 |
| Operation of Non-Instructional Services | 13,364 |
| Extracurricular Activities | 36,208 |
| Total Depreciation Expense | <u>\$828,205</u> |

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with Arthur J. Gallagher & Co. for property and fleet insurance and liability insurance.

Settled claims have not exceeded this coverage in any of the past three fiscal years. There have been no significant changes in coverage during the fiscal year.

B. Workers' Compensation

For fiscal year 2011, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control and actuarial services to the GRP.

C. Medical and Dental Benefits

For fiscal year 2011, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool (Note 17). The School District pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 12 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$308,559, \$277,066 and \$179,225, respectively. For fiscal year 2011, 71.70 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can 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 Web site 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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$617,044 for the fiscal year ended June 30, 2011, \$703,222 for the fiscal year ended June 30, 2010, and \$715,017 for the fiscal year ended June 30, 2009. For fiscal year 2011, 80.21 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2011 were \$5,185 made by the School District and \$3,704 made by the plan members. In addition, member contributions of \$15,528 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 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 fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$28,788 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$66,150, \$38,806, and \$109,354, respectively. For fiscal year 2011, 71.70 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$19,856, \$16,477, and \$14,788 respectively. For fiscal year 2011, 71.70 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$47,465, \$54,094, and \$55,001 respectively. For fiscal year 2011, 80.21 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees at the end of each fiscal year. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 50 days. An employee who has the maximum number of sick leave days accumulated at the time of retirement, shall receive an additional three days severance.

B. Insurance Benefits

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

C. Retirement Incentive

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

| | Amount Outstanding 6/30/2010 | Additions | Deductions | Amount Outstanding 6/30/2011 | Amounts Due in One Year |
|-----------------------------------|------------------------------------|------------------|------------------|------------------------------------|-------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| 2003 School Improvement | | | | | |
| Refunding Bonds: | | | | | |
| Serial Bonds 1.50%-4.10% | \$1,355,000 | \$0 | \$255,000 | \$1,100,000 | \$260,000 |
| Capital Appreciation Bonds 16.56% | 144,998 | 0 | 0 | 144,998 | 0 |
| Accretion on Capital | | | | | |
| Appreciation Bonds | 311,077 | 85,779 | 0 | 396,856 | 0 |
| Premium on Debt Issuance | 180,530 | 0 | 25,790 | 154,740 | 0 |
| Deferred Gain on Refunding | (155,796) | 0 | (19,474) | (136,322) | 0 |
| Energy Conservation Bonds 2010 | 595,000 | 0 | 40,000 | 555,000 | 35,000 |
| Compensated Absences | 366,804 | 101,323 | 103,721 | 364,406 | 36,425 |
| TOTAL - Governmental Activities | | | | | |
| Long-term Obligations | <u>\$2,797,613</u> | <u>\$187,102</u> | <u>\$405,037</u> | <u>\$2,579,678</u> | <u>\$331,425</u> |

School Improvement Refunding Bonds 2003

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

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

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal years 2014 through 2016. The maturity amount of the capital appreciation bonds will be \$275,000 in 2014 and \$280,000 per fiscal year in 2015 and 2016. For fiscal year 2011, the capital appreciation bonds were accreted \$85,779.

The School District defeased the 1995 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2011, all the bonds were called and paid.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Energy Conservation Bonds 2010

On February 5, 2010, the School District issued \$595,000 in energy conservation bonds for the purpose of making energy efficient upgrades. The bonds were issued for a 15 year period with final maturity in December 2024. The bonds will be retired from the General Fund. As of June 30, 2011, all of the bond proceeds were spent.

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

The School District's voted legal debt margin was \$10,494,427 with an energy conservation debt margin of \$576,967 and an unvoted debt margin of \$125,774 at June 30, 2011.

Principal and interest requirements to retire bonds outstanding at June 30, 2011, are as follows:

School Improvement Refunding Bonds 2003

| Fiscal Year Ending June 30, | Serial Bonds Principal | Serial Bonds Interest | Capital | | Total |
|--------------------------------|---------------------------|--------------------------|---------------------------------|--------------------------------|--------------------|
| | | | Appreciation Bonds Principal | Appreciation Bonds Interest | |
| 2012 | \$260,000 | \$36,495 | \$0 | \$0 | \$296,495 |
| 2013 | 270,000 | 27,680 | 0 | 0 | 297,680 |
| 2014 | 0 | 242,515 | 55,575 | 219,425 | 517,515 |
| 2015 | 0 | 254,829 | 48,261 | 231,739 | 534,829 |
| 2016 | 0 | 261,927 | 41,162 | 238,838 | 541,927 |
| 2017-2018 | 570,000 | 23,435 | 0 | 0 | 593,435 |
| Total | <u>\$1,100,000</u> | <u>\$846,881</u> | <u>\$144,998</u> | <u>\$690,002</u> | <u>\$2,781,881</u> |

Energy Conservation Bonds 2010

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|------------------|-----------------|------------------|
| 2012 | \$35,000 | \$6,988 | \$41,988 |
| 2013 | 35,000 | 6,533 | 41,533 |
| 2014 | 35,000 | 6,078 | 41,078 |
| 2015 | 40,000 | 5,590 | 45,590 |
| 2016 | 40,000 | 5,070 | 45,070 |
| 2017-2021 | 160,000 | 15,080 | 175,080 |
| 2022-2025 | 210,000 | 7,021 | 217,021 |
| Total | <u>\$555,000</u> | <u>\$52,360</u> | <u>\$607,360</u> |

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Miami Valley Educational Computer Association

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

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts, except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$71,779 for services provided during fiscal year 2011. Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

B. Great Oaks Institute of Technology and Career Development

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

C. Southern Buckeye Conference

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

D. Southwestern Ohio Educational Purchasing Council

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to the SOEPC are made from the General Fund. During fiscal year 2011, the Educational Service Center paid \$870 to SOEPC for membership dues. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 17 - INSURANCE PURCHASING POOL AND PUBLIC ENTITY SHARED RISK POOL

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

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

B. Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 18 - SET-ASIDE CALCULATIONS

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 18 - SET-ASIDE CALCULATIONS (Continued)

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

| | Textbooks | Capital Acquisition |
|--|-------------|------------------------|
| Set-aside Balance as of June 30, 2010 | (\$280,958) | \$0 |
| Current Fiscal Year Set-aside Requirement | 207,984 | 207,984 |
| Current Fiscal Year Offsets | 0 | (207,984) |
| Qualifying Disbursements | (26,939) | 0 |
| Totals | (\$99,913) | \$0 |
| Set-aside Balance as of June 30, 2011 | \$0 | \$0 |
| Required Set-aside Balances | \$0 | \$0 |
| Required Set-aside Balances Carried Forward to FY 2012 | \$0 | \$0 |

Amounts of offsets and qualifying disbursements presented in the table for capital acquisitions were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District may have additional offsets and qualifying disbursements for capital improvements during the fiscal year, only the amount for the textbooks set-aside may be used to reduce the set-aside requirement of future fiscal years. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law.

NOTE 19 - INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2011, were as follows:

| | | Transfer To |
|---------------|---------|--------------|
| | | All Other |
| Transfer From | General | Governmental |
| | | \$19 |

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 19 - INTERFUND ACTIVITY (Continued)

As of June 30, 2011, receivables and payables that resulted from various interfund transactions were as follows:

| | Payable | Receivable |
|--|------------------------|------------|
| | | General |
| | All Other Governmental | \$417 |

The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the Other Governmental Funds. All amounts are expected to be repaid in one year.

NOTE 20 - CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

The School District is not currently party to legal proceedings.

NOTE 21 - OTHER COMMITMENTS

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u> | Year-End <u>Encumbrances</u> |
|-----------------------|---------------------------------|
| General | \$ 117,152 |
| Permanent improvement | 262,355 |
| Other governmental | 59,677 |
| Total | \$ 439,184 |

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SUPPLEMENTARY DATA

**EAST CLINTON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | (A) PASS-THROUGH GRANT NUMBER | (B) CASH FEDERAL RECEIPTS | (B) CASH FEDERAL DISBURSEMENTS |
|---|----------------|--|------------------------------------|---|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| PASSED THROUGH THE | | | | |
| OHIO DEPARTMENT OF EDUCATION | | | | |
| (D)(E) Child Nutrition Cluster: School Breakfast Program | 10.553 | 2011 | \$ 90,946 | \$ 90,946 |
| Total School Breakfast Program | | | <u>90,946</u> | <u>90,946</u> |
| (C)(E) National School Lunch Program-Food Donations | 10.555 | 2011 | 38,090 | 38,090 |
| (D)(E) National School Lunch Program | 10.555 | 2011 | 258,818 | 258,818 |
| Total National School Lunch Program | | | <u>296,908</u> | <u>296,908</u> |
| Total U.S. Department of Agriculture and Child Nutrition Cluster | | | <u>387,854</u> | <u>387,854</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| PASSED THROUGH THE | | | | |
| OHIO DEPARTMENT OF EDUCATION | | | | |
| Title I Grant Cluster: | | | | |
| (F) Title I Grants to Local Educational Agencies | 84.010 | 2010 | 48,407 | 51,182 |
| (F) Title I Grants to Local Educational Agencies | 84.010 | 2011 | 241,737 | 233,420 |
| Total Title I Grants to Local Educational Agencies | | | <u>290,144</u> | <u>284,602</u> |
| (F) ARRA Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | 2010 | 14,129 | 15,015 |
| (F) ARRA Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | 2011 | 88,362 | 83,756 |
| Total ARRA Title I Grants to Local Educational Agencies, Recovery Act | | | <u>102,491</u> | <u>98,771</u> |
| Total Title I Grant Cluster | | | <u>392,635</u> | <u>383,373</u> |
| Special Education Grant Cluster: | | | | |
| (G) Special Education_Grants to States | 84.027 | 2010 | 44,326 | 47,428 |
| (G) Special Education_Grants to States | 84.027 | 2011 | 222,383 | 206,768 |
| Total Special Education Grants to States | | | <u>266,709</u> | <u>254,196</u> |
| (G) Special Education_Preschool Grants | 84.173 | 2010 | - | 42 |
| (G) Special Education_Preschool Grants | 84.173 | 2011 | 1,562 | 2,110 |
| Total Special Education Preschool Grants | | | <u>1,562</u> | <u>2,152</u> |
| (G) ARRA Special Education Grants to States, Recovery Act | 84.391 | 2010 | 38,687 | 40,020 |
| (G) ARRA Special Education Grants to States, Recovery Act | 84.391 | 2011 | 79,813 | 75,552 |
| Total ARRA Special Education Grants to States, Recovery Act | | | <u>118,500</u> | <u>115,572</u> |
| (G) ARRA Special Education Preschool Grants, Recovery Act | 84.392 | 2010 | 158 | 158 |
| (G) ARRA Special Education Preschool Grants, Recovery Act | 84.392 | 2011 | 414 | 284 |
| Total ARRA Special Education Preschool Grants, Recovery Act | | | <u>572</u> | <u>442</u> |
| Total Special Education Grant Cluster | | | <u>387,343</u> | <u>372,362</u> |
| Educational Technology State Grants | 84.318 | 2010 | 1,307 | 1,347 |
| Educational Technology State Grants | 84.318 | 2011 | 1,023 | 996 |
| Total Educational Technology State Grants | | | <u>2,330</u> | <u>2,343</u> |
| (H) Improving Teacher Quality State Grants | 84.367 | 2010 | 7,007 | 9,011 |
| (H) Improving Teacher Quality State Grants | 84.367 | 2011 | 89,195 | 87,731 |
| Total Improving Teacher Quality State Grants | | | <u>96,202</u> | <u>96,742</u> |
| ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394 | 2010 | - | 55,344 |
| ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394 | 2011 | 636,768 | 636,768 |
| Total ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | | | <u>636,768</u> | <u>692,112</u> |
| Total U.S. Department of Education | | | <u>1,515,278</u> | <u>1,546,932</u> |
| Total Federal Financial Assistance | | | <u>\$ 1,903,131</u> | <u>\$ 1,934,786</u> |

- (A) OAKS did not assign pass through numbers for fiscal year 2011
(B) This schedule was prepared on the cash basis of accounting
(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market value
(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
(E) Included as part of the "Child Nutrition Cluster" in determining major programs.
(F) Included as part of the "Title I Grant Cluster" in determining major programs
(G) Included as part of the "Special Education Grant Cluster" in determining major programs
(H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers:

| Program Title | CFDA | Grant Year | Transfers Out | Transfers In |
|--|--------|------------|-----------------|-----------------|
| Improving Teacher Quality State Grants | 84.367 | 2010 | \$ 2,993 | |
| Improving Teacher Quality State Grants | 84.367 | 2011 | | \$ 2,993 |
| Totals | | | <u>\$ 2,993</u> | <u>\$ 2,993</u> |



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Board of Education
East Clinton Local District
97 College Street
Lees Creek, Ohio 45138

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Clinton Local School District, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise East Clinton Local School District's basic financial statements and have issued our report thereon dated December 21, 2011. We noted that the East Clinton Local School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 East Clinton Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the East Clinton Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the East Clinton Local School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the East Clinton Local School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Board of Education
East Clinton Local School District

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 21, 2011



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Board of Education
East Clinton Local School District
97 College Street
Lees Creek, Ohio 45138

To the Board of Education:

Compliance

We have audited the compliance of the East Clinton Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of East Clinton Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the East Clinton Local School District's major federal programs. The East Clinton Local School 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 East Clinton Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 East Clinton Local School 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 East Clinton Local School District's compliance with those requirements.

In our opinion, the East Clinton Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The East Clinton Local School 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 East Clinton Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of East Clinton Local School District's internal control over compliance.

Board of Education
East Clinton Local School District

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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 management and Board of Education of the East Clinton Local School District, federal awarding agencies and pass-through entities, and others within the East Clinton Local School District. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
December 21, 2011

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

| 1. SUMMARY OF AUDITOR'S RESULTS | | |
|--|---|--|
| <i>(d)(1)(i)</i> | <i>Type of Financial Statement Opinion</i> | Unqualified |
| <i>(d)(1)(ii)</i> | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(ii)</i> | <i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iii)</i> | <i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any material internal control weaknesses reported for major federal programs?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any significant deficiencies in internal control reported for major federal programs?</i> | No |
| <i>(d)(1)(v)</i> | <i>Type of Major Programs' Compliance Opinion</i> | Unqualified |
| <i>(d)(1)(vi)</i> | <i>Are there any reportable findings under §.510(a)?</i> | No |
| <i>(d)(1)(vii)</i> | <i>Major Programs (listed):</i> | Title I Grant Cluster: Title I Grants to Local Educational Agencies - CFDA #84.010 and ARRA Title I Grants to Local Educational Agencies, Recovery Act - CFDA #84.389; Special Education Grant Cluster: Special Education Grants to States - CFDA #84.027, Special Education Preschool Grants - CFDA #84.173, ARRA Special Education Grants to States Recovery Act - CFDA #84.391, and ARRA Special Education Preschool Grants, Recovery Act - CFDA #84.392; ARRA State Fiscal Stabilization Fund, Education State Grants, Recovery Act - CFDA #84.394 |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: >\$300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | <i>Low Risk Auditee?</i> | Yes |

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on September 20, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 21, 2011

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Dave Yost • Auditor of State

EAST CLINTON LOCAL SCHOOL DISTRICT

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2012**