



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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CLAY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Clay Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

November 22, 2013

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**CLAY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay Local School District, Scioto County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

We were unable to obtain sufficient evidential matter supporting the amounts recorded as capital assets and invested in capital assets net of related debt. Capital assets are reported at \$23,244,980, which are 88 percent of governmental activities assets for the year ended June 30, 2012. Invested in capital assets net of related debt is reported at \$17,707,659 which is 98 percent of governmental activities net assets for the year ended June 30, 2012. We were unable to determine the completeness and accuracy of capital assets and invested in capital assets net of related debt through alternative procedures.

In our opinion, except for the effects adjustments, if any, that might have been required had we been able to examine sufficient appropriate evidence regarding capital assets and invested in capital assets net of related debt as described in the preceding paragraph, 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 Clay Local School District, Scioto County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

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 District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures 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 Federal Awards Receipts and Expenditures 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.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
March 25, 2013

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

As management of the Clay Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- Net Assets of governmental activities decreased \$2,593,375, which is significant.
- General Revenues accounted for \$4,230,197. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,535,794 of total revenues of \$6,765,991.
-
- The School District had \$9,359,366 in expenses related to governmental activities; only \$2,535,794 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General Revenues (primarily grants, entitlements and property taxes) of \$4,230,197 were not adequate enough to provide for these programs.

Using the Basic Financial Statements

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

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

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2012?”

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 fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Fiduciary Funds – The School District's fiduciary fund is an agency fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Fiduciary funds use the accrual basis of accounting.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal years 2012 and 2011:

(Table 1)
Net Assets

	Governmental Activities		Increase/ (Decrease)
	2012	2011	
Assets			
Current Assets	\$3,278,720	\$11,647,264	(\$8,368,544)
Capital Assets, Net	23,244,980	20,581,479	2,663,501
Total Assets	<u>26,523,700</u>	<u>32,228,743</u>	<u>(5,705,043)</u>
Liabilities			
Other Liabilities	2,343,123	5,543,930	(3,200,807)
Long-Term Liabilities	6,040,458	5,951,319	89,139
Total Liabilities	<u>8,383,581</u>	<u>11,495,249</u>	<u>(3,111,668)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	17,707,659	16,744,266	963,393
Restricted	1,202,629	4,232,743	(3,030,114)
Unrestricted (Deficit)	(770,169)	(243,515)	(526,654)
Total Net Assets	<u>\$18,140,119</u>	<u>\$20,733,494</u>	<u>(\$2,593,375)</u>

Total Assets of governmental activities decreased \$5,705,043. This decrease is reflected primarily in Current Assets which decreased \$8,368,544 due to a decrease in cash and investments relating to the School District completing construction on the new facility. Capital Assets increased as a result of the School District completing construction on the new facility.

Total Liabilities also had a significant decrease of \$3,111,668 for fiscal year 2012 when compared to the prior fiscal year. This decrease was primarily due to a decrease in Contracts Payable related to the School District's construction project.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Invested in Capital Assets, Net of Related Debt for governmental activities increased \$963,393. The increase is due to completion of the new facility related to the classroom facilities project. Restricted Net Assets decreased \$3,030,114 as a result of the School District utilizing resources to pay expenses related to the construction project. Unrestricted Net Assets for governmental activities decreased \$526,654 as a result the School District having to utilize unrestricted net assets to cover increasing expenditures.

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

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

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

(Table 2)
Change in Net Assets

	Governmental Activities		Increase/ (Decrease)
	2012	2011	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,372,723	\$1,432,729	(\$60,006)
Operating Grants, Contributions, and Interest	1,163,071	1,049,350	113,721
Total Program Revenues	<u>2,535,794</u>	<u>2,482,079</u>	<u>53,715</u>
General Revenues:			
Property Taxes Levied for:			
General Purposes	955,716	931,596	24,120
Debt Service	292,470	286,746	5,724
Other Purposes	22,647	22,291	356
Grants and Entitlements not			
Restricted to Specific Programs	2,722,826	2,876,941	(154,115)
Contributions and Donations	33,775	1,000	32,775
Investment Earnings	5,803	39,820	(34,017)
Miscellaneous	196,960	159,267	37,693
Total General Revenues	<u>4,230,197</u>	<u>4,317,661</u>	<u>(87,464)</u>
Total Revenues	<u>\$6,765,991</u>	<u>\$6,799,740</u>	<u>(\$33,749)</u>

(continued)

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

(Table 2)
Change in Net Assets
(continued)

	Governmental Activities		Increase/ (Decrease)
	2012	2011	
Program Expenses			
Instruction:			
Regular	\$4,213,056	\$3,130,863	\$1,082,193
Special	628,584	551,385	77,199
Vocational	464	2,142	(1,678)
Student Intervention Services	110,517	2,791	107,726
Support Services:			
Pupils	444,799	264,510	180,289
Instructional Staff	710,780	409,114	301,666
Board of Education	39,316	20,279	19,037
Administration	716,362	567,800	148,562
Fiscal	196,158	143,200	52,958
Operation and Maintenance of Plant	858,445	339,669	518,776
Pupil Transportation	430,296	274,180	156,116
Central	149,333	7,651	141,682
Operation of Non-Instructional Services:			
Food Service Operations	430,248	312,717	117,531
Extracurricular Activities	150,226	155,105	(4,879)
Interest and Fiscal Charges	280,782	278,396	2,386
Total Expenses	<u>9,359,366</u>	<u>6,459,802</u>	<u>2,899,564</u>
Change in Net Assets	(2,593,375)	339,938	(2,933,313)
Net Assets at Beginning of Year	<u>20,733,494</u>	<u>20,393,556</u>	<u>339,938</u>
Net Assets at End of Year	<u><u>\$18,140,119</u></u>	<u><u>\$20,733,494</u></u>	<u><u>(\$2,593,375)</u></u>

Governmental Activities

Program Revenues, which are primarily represented by charges for services, tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues were \$2,535,794 of Total Revenues for fiscal year 2012 and varied insignificantly from fiscal year 2011.

As previously mentioned, General Revenues were \$4,230,197 of Total Revenues for fiscal year 2012 and were insignificantly lower than the prior fiscal year. Grants and Entitlements Not Restricted to Specific Programs decreased \$154,115 from the prior fiscal year.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

As should be expected, Instruction costs represent the largest of the School District's expenses, \$4,952,621 for fiscal year 2012. Total Instruction costs increased \$1,265,440. The largest increase was in the Regular Instruction program which increased \$1,082,193 due to the increase in depreciation expense related to the completion of the School District's new buildings. The Instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including Pupils, Instructional Staff, and Pupil Transportation account for \$1,585,875 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of \$858,445 and increased from the prior fiscal year.

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 \$6,862,366 and expenditures of \$12,196,294. The net change in fund balance for the fiscal year was most significant in the Ohio School Facilities Construction Project Capital Projects Fund, a decrease of \$4,502,221 which was the result of the School District expending significant resources during the current fiscal year that were received in the prior fiscal year relating to the Ohio School Facilities Commission Grant.

The General Fund balance decreased \$322,377. This was primarily the result of expenditures exceeding revenues.

The Bond Retirement Fund balance increased \$17,681, which is insignificant.

The Building Fund balance decreased \$237,838. This was primarily the result of expenditures exceeding revenues.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2012, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A review of the budgetary comparison statement for the General Fund reflects an increase of \$638,189 between the original budget and final budget basis revenue, which is significant. This increase is primarily the result of the School District initially estimating to receive fewer monies through its State foundation settlements. No change existed for revenues from the final budget to actual revenues received during the fiscal year.

Final estimated expenditures were \$5,723,608, with original estimated expenditures of \$5,185,224. This difference of \$538,384 was due primarily to moving costs that were higher than originally

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

anticipated. No change existed for expenditures from the final budget to actual expenditures made during the fiscal year.

Capital Assets

At the end of fiscal year 2012, the School District had \$23,244,980 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. The increase was due to the completion of construction on its new facility.

For more information on capital assets, refer to Note 9 in the notes to the basic financial statements.

Debt

At June 30, 2012, the School District's outstanding debt obligations included general obligation bonds of \$5,080,000. The bonds will be fully retired in fiscal year 2037. The School District also had an outstanding lease-purchase agreement for new school buses in the amount of \$65,000. The School District's long-term obligations also included a premium and accretion on the general obligation bonds and compensated absences, and a Ohio School Facilities Commission Hardship Loan in the amount of \$160,024.

The School District's overall legal debt margin was (\$2,684) with an unvoted debt margin of \$54,909 at June 30, 2012.

For more detailed information on debt, refer to Note 15 in the notes to the basic financial statements.

Current Issues

The Clay Local School District is winding down the construction phase of the Ohio School Facilities Commission project to construct its new facilities. The Clay Local School District is also proud of its student accomplishments. The School District as a whole achieved an Effective rating on its 2009-2010 report card with the individual buildings receiving the following ratings: Clay High School: Effective; Rubyville Elementary School: Effective; and Rosemount Primary School: Excellent.

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 Brandi Dillow, Treasurer at Clay Local School District, 44 Clay High Street, Portsmouth, Ohio 45662, or email dillowb@clay.k12.oh.us.

CLAY LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$840,328
Cash and Cash Equivalents	420,182
Cash and Cash Equivalents with Escrow Agent	324,682
Materials and Supplies Inventory	12,330
Inventory Held for Resale	5,024
Accounts Receivable	23,803
Prepaid Items	6,179
Property Taxes Receivable	1,419,701
Intergovernmental Receivable	116,951
Deferred Charges	109,540
Capital Assets:	
Land	38,512
Depreciable Capital Assets, Net	<u>23,206,468</u>
<i>Total Assets</i>	<u>26,523,700</u>
<u>Liabilities:</u>	
Accounts Payable	107,738
Contracts Payable	17,155
Accrued Wages and Benefits Payable	517,064
Intergovernmental Payable	182,439
Accrued Interest Payable	20,157
Retainage Payable	324,682
Deferred Revenue	1,173,888
Long-Term Liabilities:	
Due Within One Year	213,224
Due in More Than One Year	<u>5,827,234</u>
<i>Total Liabilities</i>	<u>8,383,581</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	17,707,659
Restricted for Debt Service	210,182
Restricted for Capital Outlay	852,050
Restricted for Other Purposes	140,397
Unrestricted (Deficit)	<u>(770,169)</u>
<i>Total Net Assets</i>	<u><u>\$18,140,119</u></u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Revenue and Changes in Net Assets
				Total Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$4,213,056	\$1,207,490	\$339,804	(\$2,665,762)
Special	628,584	12,392	442,619	(173,573)
Vocational	464	0	5,742	5,278
Student Intervention Services	110,517	0	0	(110,517)
Support Services:				
Pupils	444,799	0	8,292	(436,507)
Instructional Staff	710,780	0	97,590	(613,190)
Board of Education	39,316	0	0	(39,316)
Administration	716,362	0	0	(716,362)
Fiscal	196,158	0	0	(196,158)
Operation and Maintenance of Plant	858,445	0	4,374	(854,071)
Pupil Transportation	430,296	0	2,690	(427,606)
Central	149,333	0	0	(149,333)
Operation of Non-Instructional Services:				
Food Service Operations	430,248	90,511	247,570	(92,167)
Extracurricular Activities	150,226	62,330	14,390	(73,506)
Interest and Fiscal Charges	280,782	0	0	(280,782)
Total Governmental Activities	\$9,359,366	\$1,372,723	\$1,163,071	(6,823,572)

General Revenues:

Property Taxes Levied for:	
General Purposes	955,716
Debt Service	292,470
Other Purposes	22,647
Grants and Entitlements not	
Restricted to Specific Programs	2,722,826
Contributions and Donations	33,775
Investment Earnings	5,803
Miscellaneous	196,960
Total General Revenues	4,230,197
Change in Net Assets	(2,593,375)
Net Assets at Beginning of Year	20,733,494
Net Assets at End of Year	\$18,140,119

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$395,266	\$117,163	\$92,221
Cash and Cash Equivalents	0	0	0
Receivables:			
Property Taxes	1,068,927	326,180	0
Accounts	23,803	0	0
Intergovernmental	0	0	0
Interfund	9,194	0	676,829
Prepaid Items	6,179	0	0
Materials and Supplies Inventory	11,080	0	0
Inventory Held for Resale	0	0	0
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agent	0	0	0
<i>Total Assets</i>	<u>\$1,514,449</u>	<u>\$443,343</u>	<u>\$769,050</u>
 <u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$15,348	\$0	\$79,726
Contracts Payable	0	0	0
Accrued Wages and Benefits Payable	421,007	0	0
Intergovernmental Payable	160,950	0	0
Interfund Payable	0	0	0
Retainage Payable from Restricted Assets	0	0	0
Deferred Revenue	1,010,279	307,847	0
<i>Total Liabilities</i>	<u>1,607,584</u>	<u>307,847</u>	<u>79,726</u>
 <u>Fund Balances:</u>			
Nonspendable	17,259	0	0
Restricted	0	135,496	689,324
Assigned	280,629	0	0
Unassigned (Deficits)	(391,023)	0	0
<i>Total Fund Balances (Deficits)</i>	<u>(93,135)</u>	<u>135,496</u>	<u>689,324</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,514,449</u>	<u>\$443,343</u>	<u>\$769,050</u>

See accompanying notes to the basic financial statements

Ohio School Facilities Construction Project	Nonmajor Governmental Funds	Total Governmental Funds
\$0	\$235,678	\$840,328
420,182	0	420,182
0	24,594	1,419,701
0	0	23,803
28,962	87,989	116,951
0	0	686,023
0	0	6,179
0	1,250	12,330
0	5,024	5,024
<u>324,682</u>	<u>0</u>	<u>324,682</u>
<u><u>\$773,826</u></u>	<u><u>\$354,535</u></u>	<u><u>\$3,855,203</u></u>
\$5,314	\$7,350	\$107,738
17,155	0	17,155
0	96,057	517,064
0	21,489	182,439
676,829	9,194	686,023
324,682	0	324,682
<u>28,962</u>	<u>31,846</u>	<u>1,378,934</u>
<u>1,052,942</u>	<u>165,936</u>	<u>3,214,035</u>
0	1,250	18,509
0	152,998	977,818
0	71,043	351,672
<u>(279,116)</u>	<u>(36,692)</u>	<u>(706,831)</u>
<u>(279,116)</u>	<u>188,599</u>	<u>641,168</u>
<u><u>\$773,826</u></u>	<u><u>\$354,535</u></u>	<u><u>\$3,855,203</u></u>

CLAY LOCAL SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012

Total Governmental Fund Balances \$641,168

***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	38,512	
Other capital assets	26,985,235	
Accumulated depreciation	<u>(3,778,767)</u>	
Total capital assets		23,244,980

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

Delinquent property taxes	167,420	
Intergovernmental	<u>37,626</u>	
		205,046

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

109,540

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

General obligation bonds:		
Serial Bonds	(150,000)	
Term Bonds	(4,800,000)	
Capital Appreciation Bonds	(130,000)	
Capital Leases	(65,000)	
Accretion on Capital Appreciation Bonds	(132,509)	
Loans Payable	(160,024)	
Premium on general obligation bonds	(193,995)	
Accrued interest on capital lease	(226)	
Accrued interest on bonds	(19,931)	
Compensated absences	<u>(408,930)</u>	
Total liabilities		<u>(6,060,615)</u>

Net Assets of Governmental Activities \$18,140,119

See accompanying notes to the basic financial statements

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CLAY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Building
<u>Revenues:</u>			
Property Taxes	\$940,842	\$288,228	\$0
Intergovernmental	2,975,474	49,654	0
Investment Earnings	1,166	176	(3,309)
Tuition and Fees	1,219,882	0	0
Extracurricular Activities	18,021	0	0
Charges for Services	0	0	0
Contributions and Donations	13,102	0	28,965
Miscellaneous	183,550	0	0
<i>Total Revenues</i>	<u>5,352,037</u>	<u>338,058</u>	<u>25,656</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,834,225	0	0
Special	328,276	0	0
Vocational	464	0	0
Student Intervention Services	81,134	0	0
Support Services:			
Pupils	327,888	0	0
Instructional Staff	272,540	0	0
Board of Education	39,316	0	0
Administration	535,228	0	0
Fiscal	128,973	5,010	1,117
Operation and Maintenance of Plant	646,282	0	74,300
Pupil Transportation	260,536	0	0
Central	15,432	0	0
Operation of Non-Instructional Services:			
Food Service Operations	0	0	0
Extracurricular Activities	78,497	0	0
Capital Outlay	0	0	188,077
Debt Service:			
Principal Retirement	81,683	105,000	0
Interest and Fiscal Charges	0	243,983	0
<i>Total Expenditures</i>	<u>5,630,474</u>	<u>353,993</u>	<u>263,494</u>
Excess of Revenues Under Expenditures	<u>(278,437)</u>	<u>(15,935)</u>	<u>(237,838)</u>
<u>Other Financing Sources (Uses):</u>			
Loan Proceeds	0	0	0
Transfers In	0	33,616	0
Transfers Out	(43,940)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(43,940)</u>	<u>33,616</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(322,377)</u>	<u>17,681</u>	<u>(237,838)</u>
<i>Fund Balances at Beginning of Year</i>	<u>229,242</u>	<u>117,815</u>	<u>927,162</u>
<i>Fund Balances (Deficits) at End of Year</i>	<u>(\$93,135)</u>	<u>\$135,496</u>	<u>\$689,324</u>

See accompanying notes to the basic financial statements

Ohio School Facilities Construction Project	Nonmajor Governmental Funds	Total Governmental Funds
\$0	\$22,312	\$1,251,382
80,923	872,714	3,978,765
8,046	0	6,079
0	0	1,219,882
0	44,309	62,330
0	90,511	90,511
0	14,390	56,457
0	13,410	196,960
<u>88,969</u>	<u>1,057,646</u>	<u>6,862,366</u>
0	338,295	3,172,520
0	181,050	509,326
0	0	464
0	0	81,134
0	7,615	335,503
0	91,099	363,639
0	0	39,316
0	0	535,228
3,754	391	139,245
0	3,000	723,582
0	0	260,536
0	0	15,432
0	345,717	345,717
0	68,609	147,106
4,854,143	29,660	5,071,880
0	25,000	211,683
0	0	243,983
<u>4,857,897</u>	<u>1,090,436</u>	<u>12,196,294</u>
<u>(4,768,928)</u>	<u>(32,790)</u>	<u>(5,333,928)</u>
266,707	0	266,707
0	10,324	43,940
0	0	(43,940)
<u>266,707</u>	<u>10,324</u>	<u>266,707</u>
(4,502,221)	(22,466)	(5,067,221)
<u>4,223,105</u>	<u>211,065</u>	<u>5,708,389</u>
<u>(\$279,116)</u>	<u>\$188,599</u>	<u>\$641,168</u>

CLAY LOCAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds (\$5,067,221)

*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	4,395,596	
Depreciation expense	(1,196,464)	
Excess of capital outlay over depreciation expense		3,199,132

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

Loss on sale of capital assets		(535,631)
--------------------------------	--	-----------

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	19,451	
Intergovernmental	(115,550)	
Investment Earnings	(276)	
		(96,375)

Other financing sources, such as proceeds of bonds, loans, and notes, in the governmental funds increase long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

Ohio School Facilities Commission Hardship Loan		(266,707)
---	--	-----------

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:

Loan principal retirement	106,683	
Bond principal payments	75,000	
Capital lease payments	30,000	
Total long-term debt repayment		211,683

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

Amortization of bond issuance costs	(4,471)	
Amortization of premium on bonds	7,918	
		3,447

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

Increase in compensated absences payable	(1,457)	
Decrease in accrued interest payable	330	
Accretion on bonds	(40,576)	
Total increase		(41,703)

Change in Net Assets of Governmental Activities (\$2,593,375)

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budget Amounts</u>			Variance With Final Budget Over/(Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property Taxes	\$1,098,000	\$934,747	\$934,747	\$0
Intergovernmental	2,825,853	2,975,474	2,975,474	0
Investment Earnings	953	1,166	1,166	0
Tuition and Fees	603,140	1,219,882	1,219,882	0
Extracurricular Activities	14,729	18,021	18,021	0
Contributions and Donations	10,709	13,102	13,102	0
Miscellaneous	130,566	159,747	159,747	0
<i>Total Revenues</i>	<u>4,683,950</u>	<u>5,322,139</u>	<u>5,322,139</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,798,641	2,871,160	2,871,160	0
Special	342,370	332,613	332,613	0
Vocational	3,865	846	846	0
Student Intervention Services	6,452	69,239	69,239	0
Support Services:				
Pupils	238,299	325,734	325,734	0
Instructional Staff	245,597	276,267	276,267	0
Board of Education	21,949	29,837	29,837	0
Administration	539,117	537,028	537,028	0
Fiscal	177,354	175,845	175,845	0
Operation and Maintenance of Plant	470,720	665,966	665,966	0
Pupil Transportation	261,477	262,596	262,596	0
Central	2,863	6,897	6,897	0
Extracurricular Activities	76,520	87,897	87,897	0
Debt Service:				
Principal Retirement	0	81,683	81,683	0
<i>Total Expenditures</i>	<u>5,185,224</u>	<u>5,723,608</u>	<u>5,723,608</u>	<u>0</u>
Excess of Revenues Under Expenditures	<u>(501,274)</u>	<u>(401,469)</u>	<u>(401,469)</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	(46,769)	(43,069)	(43,069)	0
Advances In	40,587	34,903	34,903	0
Advances Out	(41,805)	(9,194)	(9,194)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(47,987)</u>	<u>(17,360)</u>	<u>(17,360)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(549,261)	(418,829)	(418,829)	0
<i>Fund Balance at Beginning of Year</i>	607,974	607,974	607,974	0
<i>Prior Year Encumbrances Appropriated</i>	<u>35,528</u>	<u>35,528</u>	<u>35,528</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$94,241</u>	<u>\$224,673</u>	<u>\$224,673</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$500	<u>\$14,422</u>
<u>Liabilities:</u>		
Undistributed Monies	<u>0</u>	<u>\$14,422</u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u>\$500</u>	

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
<u>Additions:</u>	
Contributions and Donations	\$500
<u>Deductions:</u>	
Scholarships	500
<i>Change in Net Assets</i>	0
<i>Net Assets at Beginning of Year</i>	500
<i>Net Assets at End of Year</i>	\$500

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1909 through the consolidation of existing land areas and school districts. The School District serves an area of 19.93 square miles. It is located in Scioto County, and includes Clay Township. It is staffed by 27 classified employees, 49 certificated teaching personnel and four administrative employees who provide services to 585 students and other community members. The School District currently operates two instructional buildings and one storage building.

Reporting Entity

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

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are presented in Note 18 to the basic financial statements.

Jointly Governed Organizations:

South Central Ohio Computer Association
Coalition of Rural and Appalachian Schools
Metropolitan Educational Council

Public Entity Shared Risk Pool:

Optimal Health Initiatives Consortium

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(continued)

Insurance Purchasing Pool:
Ohio SchoolComp Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the 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 and report 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 – The Bond Retirement Debt Service Fund is established 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.

Building Fund – The Building Capital Projects Fund is used to account for and report all transactions restricted for the School District's locally funded share of the building project.

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 which accounts for contributions received for scholarship programs and agency funds which account for student managed activity programs.

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of 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 budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations. Prior to fiscal year-end, the School District passed a supplemental appropriation that equaled actual expenditures plus encumbrances for the fiscal year.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District has monies related to the Ohio School Facilities Commission Project and the School District's local share of the project invested separately from the School District's internal investment pool. These amounts are presented as "Cash and Cash Equivalents" on the financial statements. The School District also has amounts in escrow accounts to hold retainage amounts still owed to contractors. These amounts are presented as "Restricted Assets: Cash and Cash Equivalents With Escrow Agent" on the financial statements.

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 2012 amounted to \$1,166, which includes \$926 assigned from other School District funds.

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

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.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the Ohio School Facilities Construction Project Capital Projects Fund represent monies held in an escrow account that is still owed to contractors for work completed relating to the school construction project.

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

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

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

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 governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

Bond issuance costs and bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as a reduction/addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges. On the fund financial statements, bond premiums are reported as Other Financing Sources and issuance costs are reported as expenditures when the debt is issued. Accretion on the capital appreciation bonds are not reported.

Internal Activity

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Fund Balance

Fund balance is divided into five classifications 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 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’s Board of Education. Those committed amounts cannot be used for any other purpose unless the School District’s 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’s Board of Education.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Net Assets

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

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

Estimates

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 3 - 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:

Fund Balances	General	Bond Retirement	Building	Ohio School Facilities Construction Project	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>						
Prepays	\$6,179	\$0	\$0	\$0	\$0	\$6,179
Materials and Supplies Inventory	11,080	0	0	0	1,250	12,330
<i>Total Nonspendable</i>	<u>17,259</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,250</u>	<u>18,509</u>
<i>Restricted for</i>						
Debt Payment	0	135,496	0	0	0	135,496
Student Activity	0	0	0	0	3,164	3,164
Miscellaneous Grants	0	0	0	0	11,662	11,662
Capital Improvements	0	0	689,324	0	0	689,324
Classroom Facilities	0	0	0	0	138,172	138,172
<i>Total Restricted</i>	<u>0</u>	<u>135,496</u>	<u>689,324</u>	<u>0</u>	<u>152,998</u>	<u>977,818</u>
<i>Assigned to</i>						
Capital Improvements	0	0	0	0	71,043	71,043
Other Purposes	280,629	0	0	0	0	280,629
<i>Total Assigned</i>	<u>280,629</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>71,043</u>	<u>351,672</u>
<i>Unassigned (Deficits)</i>	<u>(391,023)</u>	<u>0</u>	<u>0</u>	<u>(279,116)</u>	<u>(36,692)</u>	<u>(706,831)</u>
<i>Total Fund Balances (Deficits)</i>	<u><u>(\$93,135)</u></u>	<u><u>\$135,496</u></u>	<u><u>\$689,324</u></u>	<u><u>(\$279,116)</u></u>	<u><u>\$188,599</u></u>	<u><u>\$641,168</u></u>

NOTE 4 - ACCOUNTABILITY

At June 30, 2012, the General, Ohio School Facilities Construction Project, Food Service, Public Preschool, Education Jobs, Title VI-B, Title II-D Technology, Title I, and Title II-A had deficit fund balances of \$93,135, \$279,116, \$5,569, \$16,318, \$1,563, \$536, \$882, \$4,140, and \$6,635, respectively. The General Fund deficit balance exists because sufficient revenues have not been generated to cover expenditures. The General Fund is liable for the deficits and provides transfers when cash is required, not when accruals occur.

CLAY LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

Changes in Fund Balance - Budget and Actual (Budget Basis) – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$322,377)
Adjustments:	
Revenue Accruals	(29,898)
Expenditure Accruals	77,459
Encumbrances	(170,593)
Transfers	871
Advances	25,709
Budget Basis	(\$418,829)

NOTE 6 - 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.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

Interim monies 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) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits:

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$322,405 of the School District's pooled bank balance of \$1,017,419 were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution. Also, at fiscal year-end, \$494,864 of the School District's Ohio School Facilities Construction Project Capital Projects Fund's specific balance of \$744,864 was exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution.

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

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected in calendar year 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 7 - PROPERTY TAXES (continued)

The Scioto County Treasurer collects property taxes on behalf of all governments in the County.

The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the real property and public utility property taxes which are measurable as of June 30, 2012, 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 of deferred revenue.

The amounts available as an advance at June 30, 2012, were \$58,648 in the General Fund and \$19,745 in Other Governmental Funds. The amounts available as an advance at June 30, 2011, were \$52,553 in the General Fund and \$17,723 in Other Governmental Funds.

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

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$50,700,000	94.19%	\$51,683,940	94.13%
Public Utility Personal	3,124,970	5.81%	3,225,170	5.87%
Total Assessed Value	\$53,824,970	100.00%	\$54,909,110	100.00%
Tax rate per \$1,000 of assessed valuation	\$32.02		\$32.02	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012, consisted of property taxes, accounts, intergovernmental grants and interfund. All receivables are considered collectible in full and will be received within one fiscal year with the exception of the property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 8 – RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<u>Governmental Activities:</u>	
Ohio School Facilities Commission Grant	\$28,962
Title I	31,238
Special Education Part B-IDEA	9,463
ARRA - Title I	910
Early Childhood Education	7,585
Small, Rural School Achievement Program	100
Education Jobs Grant	38,693
Total Intergovernmental Receivables	<u><u>\$116,951</u></u>

The School District was awarded a grant in the amount of \$18,257,865 on October 3, 2008, from the Ohio School Facilities Commission for the construction of a new Pre-K-12 facility, as well as to demolish the existing instructional buildings. On June 28, 2010, an amendment to increase the original grant award was approved in the amount of \$1,365,237, increasing the total award to \$19,623,102.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Deductions	Balance at 6/30/12
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$36,900	\$1,612	\$0	\$38,512
Construction in Progress	19,355,327	2,407,823	(21,763,150)	0
Total Capital Assets Not Being Depreciated	19,392,227	2,409,435	(21,763,150)	38,512
Capital Assets Being Depreciated:				
Land Improvements	81,931	563,792	(81,931)	563,792
Buildings and Improvements	2,508,891	21,763,150	(525,107)	23,746,934
Furniture, Fixtures and Equipment	859,771	1,422,369	(39,782)	2,242,358
Textbooks	338,923	0	(338,923)	0
Vehicles	445,813	0	(13,662)	432,151
Total Capital Assets Being Depreciated	4,235,329	23,749,311	(999,405)	26,985,235
Less Accumulated Depreciation:				
Land Improvements	(50,767)	(73,073)	50,767	(73,073)
Building and Improvements	(1,679,172)	(685,524)	20,838	(2,343,858)
Furniture, Fixtures and Equipment	(671,336)	(429,281)	32,072	(1,068,545)
Textbooks	(338,923)	0	338,923	0
Vehicles	(305,879)	(8,586)	21,174	(293,291)
Total Accumulated Depreciation	(3,046,077)	(1,196,464) *	463,774	(3,778,767)
Total Capital Assets Being Depreciated, Net	1,189,252	22,552,847	(535,631)	23,206,468
Governmental Activities Capital Assets, Net	<u>\$20,581,479</u>	<u>\$24,962,282</u>	<u>(\$22,298,781)</u>	<u>\$23,244,980</u>

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 9 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$458,456
Special	57,902
Student Intervention Services	10,152
Support Services:	
Pupils	41,686
Instructional Staff	216,039
Administration	78,932
Fiscal	20,880
Operation and Maintenance of Plant	53,770
Pupil Transportation	70,097
Central	133,852
Operation of Non-Instructional Services:	
Food Service Operations	51,578
Extracurricular Activities	3,120
Total Depreciation Expense	<u><u>\$1,196,464</u></u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with School Insurance Consultants, LLC (SIC) for insurance consulting services. The premium paid to SIC for fiscal year 2012 was \$3,000. The School District also pays to the awarded insurance agency an insurance premium that is based on types of coverage, limits of coverage, and deductibles that it selects. For the fiscal year, the School District contracted with Trident Insurance Agency for liability, property, inland marine, and automobile liability insurance coverage and paid its premium to Governmental Underwriters of America, an agent for Trident Insurance Agency.

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

The School District participates in the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool (Note 18), consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 10 - RISK MANAGEMENT (continued)

For fiscal year 2012, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduce premium for the School District 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 applies 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 CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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 a statutory maximum amount 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, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 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, 2012, 2011, and 2010 were \$119,744, \$105,902, and \$110,482, respectively. For fiscal year 2012, 86.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$334,510, \$337,555, and \$338,998, respectively. For fiscal year 2012, 78.59 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

No contributions were made to STRS Ohio for the DC Plan for fiscal year 2012 by the School District or plan members. In addition, member contributions of \$4,214 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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 (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 2012, 0.55 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 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$15,379 in surcharge.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$20,565, \$27,411, and \$15,899, respectively. For fiscal year 2012, 86.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$7,072, \$6,815, and \$6,570, respectively. For fiscal year 2012, 86.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio 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 postemployment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to postemployment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$25,732, \$25,966, and \$26,077, respectively. For fiscal year 2012, 78.59 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2012.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated contracts and State laws. Eligible classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 40 - 60 days, depending on years of service.

Insurance Benefits

The School District provides vision coverage through Vision Service Plan and life insurance through the Metropolitan Educational Council (Note 18). The School District also provides health care and dental coverage for its employees with Medical Mutual of Ohio through the Optimal Health Initiatives Consortium.

Deferred Compensation

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

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the School District entered into a lease-purchase agreement for the acquisition of school buses. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "*Accounting for Leases*," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The School District is leasing the buses through the Ohio Association of School Business Officials (OASBO) Expanded Asset Pooled Financing Program. Under this program, participating school districts finance building improvements or asset acquisitions by entering into a lease-purchase agreement in an attempt to achieve debt service and issuance cost savings. Under this program, the School District is leasing the buses from the Columbus Regional Airport Authority, which is an administrator of the program. The Columbus Regional Airport Authority deposited \$204,000 with U.S. Bank National Association, who will serve as the fiscal agent for the monies. The School District utilized the monies held by U.S. Bank National Association for the purchase of the buses.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

In turn, the School District will make semi-annual lease payments to U.S. Bank National Association. Interest rates are based on a calculation of the TBMA index. The lease is renewable annually and expires in fiscal year 2014. The intention of the School District is to renew the lease annually and make payments using school bus reimbursements received from the State of Ohio and General Fund revenues. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds. All funds from the lease-purchase agreement were received and used in prior fiscal years.

The lease-purchase amount equaled \$204,000. Capital assets acquired through the lease were capitalized in the amount of \$201,000 with the remaining \$3,000 being disbursed directly from the Program Discretionary Fund to pay certain expenses of the School District's participation in the Program. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2012 totaled \$30,000 and were paid from the Debt Service Fund.

The assets acquired through the capital lease as of June 30, 2012, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
School Buses	\$201,000	\$108,174	\$92,826

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2012.

	Fiscal Year Ending June 30,	Total Payments
	2013	34,710
	2014	33,689
Total		68,399
Less: Amount Representing Interest		(3,399)
Present Value of Net Minimum Lease Payments		\$65,000

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/11	Additions	Deductions	Amount Outstanding 6/30/12	Amounts Due in One Year
<u>Governmental Activities:</u>					
2008 School Improvement General					
Obligation Bonds - 3.63% to 5.25%					
Serial Bonds	\$225,000	\$0	\$75,000	\$150,000	\$75,000
Term Bonds	4,800,000	0	0	4,800,000	0
Capital Appreciation Bonds	130,000	0	0	130,000	0
Accretion on Capital Appreciation					
Bonds	91,933	40,576	0	132,509	0
Unamortized Premium	201,913	0	7,918	193,995	0
Total All Bonded Debt	5,448,846	40,576	82,918	5,406,504	75,000
2012 OSFC Hardship Loan	0	266,707	106,683	160,024	53,341
Capital Leases	95,000	0	30,000	65,000	32,000
Compensated Absences	407,473	56,906	55,449	408,930	52,883
Total Governmental Activities					
Long-Term Obligations	<u>\$5,951,319</u>	<u>\$364,189</u>	<u>\$275,050</u>	<u>\$6,040,458</u>	<u>\$213,224</u>

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal Amount</u> <u>to be Redeemed</u>
2022	\$430,000
2024	345,000
2026	400,000
2029	730,000
2034	1,620,000
2037	1,275,000
Total	<u>\$4,800,000</u>

The capital appreciation bonds, issued at \$130,000, are not subject to prior redemption. The fiscal year 2012 accretion amount was \$40,576. The remaining capital appreciation bonds will mature December 1, 2014, through 2018 as follows:

<u>Fiscal</u> <u>Year</u>	<u>Maturity</u> <u>Amount</u>
2015	\$100,000
2016	100,000
2017	110,000
2018	125,000
2019	125,000
Total	<u>\$560,000</u>

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

On June 27, 2010, the School District entered into a loan agreement with the Ohio School Facilities Commission for costs associated with the construction of its new facility. The loan was authorized under the Hardship Loan Program. This program allows the Ohio School Facilities Commission to enter into a loan agreement with a school district if the basic costs of a construction project are increased from the original amount. Qualifying expenditures under the program must be the result of additional costs to the school district to correct conditions resulting from the discovery of oversights or deficiencies in the initial assessment or plan and the payment of such expenditures would create an undue hardship on the school district. The School District submitted an assessment to the Ohio School Facilities Commission that indicated that if it provided the full amount of the additional local share of the construction project of the new facilities, there would be a negative impact on the fund balances of the School District in fiscal years 2011 and 2012. The total amount of the loan is \$266,707. As of fiscal year-end, the School District has received the full amount of the loan and began making payments.

Principal and interest requirements to retire the School District's outstanding debt at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$75,000	\$237,759	\$0	\$0	\$0	\$0
2014	75,000	234,852	0	0	0	0
2015	0	0	0	233,352	33,143	66,857
2016	0	0	0	233,352	27,615	72,385
2017	0	0	0	233,352	25,311	84,689
2018-2022	0	0	430,000	1,140,317	43,931	206,069
2023-2027	0	0	745,000	973,418	0	0
2028-2032	0	0	730,000	697,172	0	0
2033-2037	0	0	2,895,000	274,194	0	0
Totals	\$150,000	\$472,611	\$4,800,000	\$3,785,157	\$130,000	\$430,000

The capital lease will be paid from the Debt Service Fund and compensated absences will be paid from the General Fund and the Food Service, Public Preschool, Education Jobs, Title VI-B, Title I, and Title II-A Special Revenue Funds.

The School District's overall legal debt margin was (\$2,684) with an unvoted debt margin of \$54,909 at June 30, 2012. Ohio Revised Code Section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's local portion of Ohio School Facilities construction project costs. The School District submitted the issuance of its School Improvement General Obligation Bonds to the electors prior to the adoption of H.B. 530. H.B. 530 now excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations from the definition of tax valuation for the purpose of calculating the legal debt margin for school districts.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 16 - INTERFUND ACTIVITY

Interfund balances at June 30, 2012, consist of the following individual interfund receivable and payable:

		Receivable		
		General	Building	Total
Payable	Ohio School Facilities			
	Construction Project Fund	\$0	\$676,829	\$676,829
	Nonmajor			
	Governmental Funds	9,194	0	9,194
Total		\$9,194	\$676,829	\$686,023

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance. During fiscal year 2012, expenditures relating to the construction of the School District's new facility should have been paid out of the Building Fund and the Ohio School Facilities Construction Project Fund. However, the majority of the expenditures for this project were paid out of the Ohio School Facilities Construction Project Fund, thus causing a negative fund balance. The School District is currently working with the Ohio School Facilities Commission to resolve this issue. Once the issue is resolved, the necessary adjustments will be made.

Transfers made during the fiscal year ended June 30, 2012, were as follows:

		Transfers From
		General
Transfers To	Bond Retirement	\$33,616
	Nonmajor	
	Governmental Funds	10,324
	Total	\$43,940

General Fund transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers were made from the General Fund to the Bond Retirement Debt Service Fund and to Other Governmental Funds for the purpose of making debt payments and funding extracurricular activities.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 17 - CONSTRUCTION COMMITMENTS

The School District contracted for constructing its new Pre-K-12 facility, as well as to demolish the existing instructional buildings. The outstanding construction commitments at June 30, 2012, are:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At June 30, 2012</u>
Tanner, Stone & Co.	\$1,279,552	\$1,272,776	\$6,776
Four Seasons Environmental	58,300	52,223	6,077
BB&E	3,293,999	3,282,248	11,751
J & H Reinforcing	12,393,291	12,329,637	63,654
West End Electric	3,454,799	3,454,331	468
Continental Office Environments	123,847	101,787	22,060
Tom Sexton & Associates	277,820	265,832	11,988
Zimmerman School Equipment	91,491	91,241	250
Hill International	1,223,318	1,186,149	37,169
Gandee & Associates	18,360	12,914	5,446
Total	<u>\$22,214,777</u>	<u>\$22,049,138</u>	<u>\$165,639</u>

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

Jointly Governed Organizations

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$10,272 for membership fees during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of 14 members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for School District administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for School District personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid \$350 to the Coalition for services provided during the fiscal year.

Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county outside Franklin County. In particular, the School District participates in an insurance purchasing pool, which is managed by MEC, to obtain lower costs for life insurance coverage for their employees. The School District pays premiums to MEC based on the number of employees who participate, the amount of coverage provided, and what MEC estimates will cover the costs to provide that coverage. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Public Entity Shared Risk Pool

Optimal Health Initiatives Consortium

The School District is a member of the Optimal Health Initiatives Consortium (the “Consortium”), a public entity shared risk pool, consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium’s economies of scale to create cost-savings. The Council’s business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division’s board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 304-E, Cincinnati, Ohio 45242.

Insurance Purchasing Pool

Ohio SchoolComp Workers’ Compensation Group Rating Plan

The School District participates in the Ohio SchoolComp Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the GRP. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

NOTE 19 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the 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.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 19 - SET-ASIDE CALCULATIONS (continued)

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

	Capital Acquisitions
Set-aside Balance as of June 30, 2011	\$0
Current Fiscal Year Set-aside Requirement	103,929
Current Fiscal Year Offsets	(308,518)
Qualifying Disbursements	(83,208)
Totals	(\$287,797)
Set-aside Balance as of June 30, 2012	\$0

Although the School District had offsets and qualifying expenditures for capital acquisitions that exceeded the set-aside requirements, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore are not presented as being carried forward to the next fiscal year. In previous fiscal years, the School District was required to have a textbook set-aside requirement. Effective July 1, 2011, House Bill 30 of the 129th General Assembly repealed the textbook reserve requirement.

NOTE 20 – CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the Effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

The School District is not party to any legal proceedings.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 21 – SUBSEQUENT EVENT

Effective July 1, 2012, the School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is a computer consortium formerly known as South Central Ohio Computer Association. SCOCACoG is a council of governments providing computer services to its members of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. SCOCACoG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

CLAY LOCAL SCHOOL DISTRICT
Scioto County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 80,046	\$ -	\$ 80,046	\$ -
National School Lunch Program	3L60	10.555	147,729	15,852	147,729	15,852
Total - Nutrition Cluster			227,775	15,852	227,775	15,852
Total United States Department of Agriculture			227,775	15,852	227,775	15,852
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	65,450	-	33,915	-
ARRA - Special Education Grants to States, Recovery Act	3DJ0	84.391	16,525	-	13,280	-
Total Special Education Cluster			81,975	-	47,195	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	181,137	-	186,432	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	6,070	-	6,768	-
Total Title I, Part A Cluster			187,207	-	193,200	-
Education Jobs Fund	3ET0	84.410	147,314	-	147,067	-
Educational Technology State Grants	3S20	84.318	1,237	-	1,832	-
Improving Teacher Quality State Grants	3Y60	84.367	49,267	-	47,602	-
			197,818	-	196,501	-
<i>Direct from United States Department of Education</i>						
Rural Education Achievement Program	N/A	84.358A	13,418	-	13,418	-
Total United States Department of Education			480,418	-	450,314	-
Total Federal Financial Assistance			\$ 708,193	\$ 15,852	\$ 678,089	\$ 15,852

See accompanying notes to schedule of federal awards receipts and expenditures.
N/A - Direct Award

Clay Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

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



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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay Local School District, Scioto County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2013. We qualified our opinion due to lack of sufficient, appropriate evidential matter for the amounts reported as capital assets and invested in capital assets net of related debt for governmental activities. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

Members of the Board of Education
Clay Local School District
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by Government Auditing Standards
Page 2

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 25, 2013.

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.

March 25, 2013



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance Required by OMB Circular A-133

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

Compliance

We have audited the compliance of Clay Local School District, Scioto County, Ohio (the 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 Clay Local School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Clay 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 year ended June 30, 2012.

Internal Control Over Compliance

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

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 noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 25, 2013.

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
March 25, 2013

**Clay Local School District
Scioto County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: School Breakfast Program; CFDA# 10.553 National School Lunch Program; CFDA# 10.555 Education Jobs Fund; CFDA# 84.410
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Clay Local School District
Scioto County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
(Continued)
June 30, 2012**

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

Finding 2012-001

Material Weakness – Financial Statement Presentation

Accurate financial reporting is an important part of the District’s overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting.

We identified misstatements in the financial statements for the fiscal year under audit that were not initially identified by the District’s internal controls. The following areas had audit adjustments made to the District’s financial statements:

- Intergovernmental Revenue
- Tuition Revenue

The audited financial statements and District records have been adjusted for the misstatements above.

In addition to the audit adjustments made to the District’s financial statements, there were also several areas that had unadjusted audit adjustments due to the size of the adjustments. The following areas had unadjusted audit adjustments:

- Receipting property tax receipts in the net instead of the gross
- Accounts payable
- Accrued Wages and Benefits
- Retainage payable
- Invested in Capital Assets, Net of Related Debt
- Flow-thru grant money related to the OSFC project

The audited financial statements and District’s records have not been adjusted for the errors noted above as, individually and in the aggregate these misstatements were not material to the financial statements.

We further noted that the District’s Capital Asset footnote presentation, while not material to the overall financial report, contained significant errors. This was a result of the District being unable to prepare the proper additions and deletions reports from their EIS system. Once the appraisal was completed, the District sent the information to SCOCA whom uploaded the new data into the EIS system which erased all previous data, thus leaving the District being unable to obtain the proper documents for financial reporting purposes. It was further noted that the appraisal report obtained by the District was not properly loaded into the EIS system which resulted in discrepancies between the EIS system and the District’s financial report. A qualified opinion was given over capital assets and invested in capital assets net of related debt due to the lack of sufficient, appropriate evidential matter for the amounts reported.

The presentation of materially correct financial statements and related footnotes is the responsibility of management. Lack of a properly presented financial statements review process could inhibit its financial accountability to both the public and the Board, which they may use to facilitate District decisions.

**Clay Local School District
Scioto County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
(Continued)
June 30, 2012**

Finding 2012-001 (continued)

We recommend the District implement internal control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. We further recommend that the District ensure their EIS system is properly updated to reflect the outcome of their appraisal report.

Client Response

The District chose not to respond to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted



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Independent Auditor's Report on Applying Agreed Upon Procedures

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

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 Clay 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 June 14, 2012 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
March 25, 2013

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Dave Yost • Auditor of State

CLAY LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 5, 2013