



Dave Yost • Auditor of State

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lynchburg-Clay Local School District
Highland County
301 E. Pearl Street
Lynchburg, Ohio 45142

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynchburg-Clay Local School District, Highland County, Ohio (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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lynchburg-Clay Local School District, Highland County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof and the respective changes in budgetary comparisons for the General and Food Service funds 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 18, 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 federal awards receipt and expenditure schedule 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 federal awards receipt and expenditure schedule 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.



Dave Yost
Auditor of State

March 18, 2013

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

As management of the Lynchburg 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

- The assets of the Lynchburg Clay Local School District exceeded its liabilities at June 30, 2012, by \$24,043,933. Of this amount, \$6,087,371 may be used to meet the School District's ongoing financial obligations. The remaining amounts represent capital assets, net of related debt, and net assets restricted for specific purposes.
- The School District's net assets decreased \$1,246,563 during this fiscal year's operations.
- General revenues accounted for \$9,686,198 of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,747,451 of total revenues of \$12,433,649.
- The School District had \$13,680,212 in expenses related to governmental activities; only \$2,747,451 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest.

Using the Basic Financial Statements

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

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

Lynchburg 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 Statement 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 six. 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 Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Proprietary Fund - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds. The Internal Service Fund is used to account for the dental and vision benefits provided to employees, and payment of premiums for medical insurance to the insurance purchasing pool.

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal years 2012 and 2011:

(Table 1)
Net Assets
Governmental Activities

	2012	2011	Change in Net Assets
Assets			
Current and Other Assets	\$11,563,074	\$11,805,649	(\$242,575)
Capital Assets, Net	17,878,325	18,645,001	(766,676)
Total Assets	<u>29,441,399</u>	<u>30,450,650</u>	<u>(1,009,251)</u>
Liabilities			
Other Liabilities	3,407,463	3,192,481	214,982
Long-Term Liabilities	1,990,003	1,967,673	22,330
Total Liabilities	<u>5,397,466</u>	<u>5,160,154</u>	<u>237,312</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	16,488,026	17,314,997	(826,971)
Restricted	1,468,536	2,053,868	(585,332)
Unrestricted	6,087,371	5,921,631	165,740
Total Net Assets	<u>\$24,043,933</u>	<u>\$25,290,496</u>	<u>(\$1,246,563)</u>

Total net assets decreased \$1,246,563. Capital assets, net and invested in capital assets, net of related debt, decreased due to current year depreciation exceeding current year additions. Restricted net assets decreased \$585,332 due primarily to the School District losing Title 1 Stimulus and Idea Part B Grant monies in fiscal year 2012.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 highlights 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 basis of accounting.

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

(Table 2)
Changes in Net Assets
Governmental Activities

	2012	2011	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,074,556	\$1,049,268	\$25,288
Operating Grants, Contributions and Interest	1,661,895	2,149,689	(487,794)
Capital Grants and Contributions	11,000	14,000	(3,000)
Total Program Revenues	2,747,451	3,212,957	(465,506)
General Revenues:			
Property Taxes	1,988,571	1,870,723	117,848
Grants and Entitlements not Restricted to Specific Programs	7,529,656	7,756,519	(226,863)
Gifts and Donations	0	364,167	(364,167)
Interest	56,445	89,901	(33,456)
Miscellaneous	111,526	119,814	(8,288)
Total General Revenues	9,686,198	10,201,124	(514,926)
Total Revenues	12,433,649	13,414,081	(980,432)
Program Expenses			
Instruction:			
Regular	\$6,086,657	\$6,620,613	(\$533,956)
Special	1,207,372	1,106,381	100,991
Vocational	243,350	217,695	25,655
Student Intervention Services	4,352	45,695	(41,343)
Support Services:			
Pupils	463,061	424,254	38,807
Instructional Staff	799,325	747,269	52,056
Board of Education	52,222	58,145	(5,923)
Administration	1,103,326	1,186,072	(82,746)
Fiscal	356,424	339,506	16,918
Business	45,159	46,618	(1,459)
Operation and Maintenance of Plant	1,533,283	1,299,696	233,587
Pupil Transportation	863,392	838,002	25,390
Central	12,000	12,197	(197)
Operation of Non-Instructional Services:			
Food Services	630,646	638,962	(8,316)
Other	1,554	49	1,505
Extracurricular Activities	221,800	208,754	13,046
Interest and Fiscal Charges	56,289	58,638	(2,349)
Total Expenses	13,680,212	13,848,546	(168,334)
Change in Net Assets	(1,246,563)	(434,465)	(812,098)
Net Assets at Beginning of Year	25,290,496	25,724,961	(434,465)
Net Assets at End of Year	\$24,043,933	\$25,290,496	(\$1,246,563)

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Operating grants, contributions and interest decreased due primarily to the School District losing grant monies related to Title 1 and Idea B funding.

Interest decreased due to a much lower average rate of return on investments.

Regular instruction expenses decreased due to the receipt of Ed Jobs grant monies that was used to pay for salaries and benefits for three principals, the guidance counselor and two intervention teacher positions.

Governmental Activities

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

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 \$12,760,386 and expenditures of \$13,062,704. The net change in fund balance for the fiscal year was most significant in the General Fund. This was the result of a combination of base salary increases along with step salary increases, as previously mentioned.

The Food Service Fund experienced an increase in fund balance of \$46,627.

The Debt Service Fund experienced a decrease in fund balance of as a result of debt service payments 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. 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 summary of the General Fund's original and final budgeted amounts is listed on page 16, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amount.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

For the General Fund, original budgeted revenues were \$11,233,846 and final budgeted revenues were \$11,227,845, a difference of \$6,001. Final budgeted revenues were \$262,310 more than actual revenues. This is due primarily to the School District receiving less State monies than anticipated.

Original budgeted expenditures were \$2,553,011 more than the final budgeted expenditures of \$12,456,382. Such decreases were spanned over various expenditures as a result of the School District trying to cut costs in all possible areas. The actual budget basis expenditures were \$1,298,638 less than final budgeted expenditures. The majority of the difference between budgeted and actual expenditures was the result of lower spending of \$804,829 in regular instruction, \$149,822 in special instruction and \$85,272 in operation and maintenance of plant.

Capital Assets and Debt Administration

Capital Assets

The Lynchburg Clay Local School District's investment in capital assets as of June 30, 2012, was \$17,878,325. This investment in capital assets includes land; land improvement; buildings and building improvements; furniture, fixtures and equipment; vehicles; and books and educational media. Net capital assets decreased \$766,676 from the prior fiscal year as a result of current year depreciation exceeding current year additions. For more information on capital assets, refer to the Note 7 to the basic financial statements.

Debt

At June 30, 2012, the School District had \$1,215,000 in bonds outstanding, with \$120,000 due within one year. The School District's long-term obligations also includes a premium on refunding and compensated absences.

The School District's overall legal debt margin was \$8,667,007, with an unvoted debt margin of \$102,269 at June 30, 2012.

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

District Challenges for the Future

Lynchburg Clay Local School District is heavily dependent on State funding; approximately 60 percent of its funding is received through the State foundation program.

While the Ohio Supreme Court ruled in March of 1997 that Ohio's funding of public schools is unconstitutional and needs to be restructured, subsequent Court reviews of the legislature's responses have found that the State legislature has not adequately responded to the specifics of the ruling. Thus, many school districts believe Ohio's public schools continue to be funded through an inadequate and inequitable system.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The slow State and national economy is also causing financial difficulty for the Lynchburg Clay Local School District and schools throughout the State and the nation. The Governor of Ohio is currently dealing with poor economic conditions in our State and is outlining a plan for a new round of State cuts in funding. Unless Ohio's economy takes a positive turn, the funding for Ohio's public schools may not be sufficient to finance educational programs necessary for our students. Although the State has made budget cuts to other entities, the public schools have been exempt from these cuts. This, however, may not be possible in the future.

The projection of student enrollment is another issue that is hard to forecast. During 2012, the School District lost 34 students, due to the local loss of jobs, and subsequent relocation of those families. A significant increase in enrollment during the next several fiscal years is not expected. We feel this is due to the loss of area jobs from various companies, most significantly the closure of DHL Shipping in Clinton County.

In schools, as in any other business, funding is always a major concern. Since schools are dependent on local and State taxes for a portion of their funding, it is important that the State legislature and Governor make school funding a priority. The lack of appropriate State response to the DeRolph school funding lawsuit, the poor local, State and national economy, the various student educational options, the cost of implementing State and Federal mandates, the various student educational options, and student enrollment projections all contribute to the difficult task of establishing financial projections for our School District.

Lynchburg Clay Local School District continues to utilize and demonstrate fiscal responsibility by adopting balanced budgets and not overspending the budgets. The Board and administrators are hopeful that public funding in Ohio is a priority for Ohio's political leaders and will permit Lynchburg Clay Local School District to continue to provide a quality education for our students.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 Richard Hawk, Treasurer, at Lynchburg Clay Local School District, 301 East Pearl Street, P.O. Box 515, Lynchburg, Ohio 45142.

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Lynchburg Clay Local School District

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$8,997,672
Accrued Interest Receivable	14,008
Inventory Held for Resale	5,109
Materials and Supplies Inventory	532
Intergovernmental Receivable	272,091
Property Taxes Receivable	2,257,492
Deferred Charges	16,170
Capital Assets:	
Land	405,668
Depreciable Capital Assets, Net	<u>17,472,657</u>
<i>Total Assets</i>	<u>29,441,399</u>
Liabilities:	
Accounts Payable	80,052
Accrued Wages and Benefits Payable	1,004,271
Intergovernmental Payable	261,971
Deferred Revenue	2,025,531
Matured Compensated Absences Payable	29,815
Claims Payable	1,659
Accrued Interest Payable	4,164
Long-Term Liabilities:	
Due Within One Year	194,696
Due in More Than One Year	<u>1,795,307</u>
<i>Total Liabilities</i>	<u>5,397,466</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	16,488,026
Restricted for:	
Capital Outlay	236,087
Debt Service	681,581
Other Purposes	520,459
Set Asides	30,409
Unrestricted	<u>6,087,371</u>
<i>Total Net Assets</i>	<u><u>\$24,043,933</u></u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$6,086,657	\$626,933	\$72,243	\$0	(\$5,387,481)
Special	1,207,372	98,015	976,185	0	(133,172)
Vocational	243,350	4,133	64,781	0	(174,436)
Student Intervention Services	4,352	0	0	0	(4,352)
Support Services:					
Pupils	463,061	0	75,767	0	(387,294)
Instructional Staff	799,325	0	70,458	0	(728,867)
Board of Education	52,222	0	0	0	(52,222)
Administration	1,103,326	0	0	0	(1,103,326)
Fiscal	356,424	0	0	0	(356,424)
Business	45,159	0	0	0	(45,159)
Operation and Maintenance of Plant	1,533,283	545	5,400	11,000	(1,516,338)
Pupil Transportation	863,392	0	25,215	0	(838,177)
Central	12,000	0	0	0	(12,000)
Operation of Non-Instructional Services:					
Other	1,554	0	0	0	(1,554)
Food Services	630,646	255,426	355,370	0	(19,850)
Extracurricular Activities	221,800	89,504	16,476	0	(115,820)
Interest and Fiscal Charges	56,289	0	0	0	(56,289)
Total Governmental Activities	\$13,680,212	\$1,074,556	\$1,661,895	\$11,000	(10,932,761)
General Revenues:					
Property Taxes Levied for:					
General Purposes					1,816,560
Debt Service					134,691
Capital Outlay					37,320
Grants and Entitlements not					
Restricted to Specific Programs					7,529,656
Interest					56,445
Miscellaneous					111,526
Total General Revenues					9,686,198
Change in Net Assets					(1,246,563)
<i>Net Assets at Beginning of Year</i>					25,290,496
<i>Net Assets at End of Year</i>					\$24,043,933

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
 Balance Sheet
 Governmental Funds
 June 30, 2012

	General Fund	Food Service	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$7,554,260	\$79,824	\$669,963	\$628,483	\$8,932,530
Inventory Held for Resale	0	5,109	0	0	5,109
Materials and Supplies Inventory	0	532	0	0	532
Accrued Interest Receivable	14,008	0	0	0	14,008
Intergovernmental Receivable	11,174	29,895	0	231,022	272,091
Property Taxes Receivable	2,058,281	0	158,533	40,678	2,257,492
Total Assets	\$9,637,723	\$115,360	\$828,496	\$900,183	\$11,481,762
Liabilities:					
Accounts Payable	\$38,545	\$6,190	\$0	\$35,317	\$80,052
Accrued Wages and Benefits Payable	896,062	29,870	0	78,339	1,004,271
Intergovernmental Payable	239,205	8,441	0	14,325	261,971
Matured Compensated Absences Payable	27,343	873	0	1,599	29,815
Deferred Revenue	1,961,545	0	150,727	102,095	2,214,367
Total Liabilities	3,162,700	45,374	150,727	231,675	3,590,476
Fund Balances:					
Nonspendable	0	532	0	0	532
Restricted	0	69,454	677,769	685,716	1,432,939
Committed	11,000	0	0	0	11,000
Assigned	309,854	0	0	0	309,854
Unassigned (Deficit)	6,154,169	0	0	(17,208)	6,136,961
Total Fund Balances	6,475,023	69,986	677,769	668,508	7,891,286
Total Liabilities and Fund Balances	\$9,637,723	\$115,360	\$828,496	\$900,183	\$11,481,762

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012

Total Governmental Fund Balances \$7,891,286

***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	405,668	
Other capital assets	32,271,697	
Accumulated depreciation	(14,799,040)	
Total capital assets	17,878,325	17,878,325

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	117,064	
Intergovernmental	63,559	
Interest	8,213	
	188,836	188,836

The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets. 63,483

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 16,170

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (4,164)

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

Bonds payable	(1,215,000)	
Bond premium	(20,913)	
Loss on refunding	4,739	
Capital leases	(175,295)	
Compensated absences	(583,534)	
Total liabilities	(1,990,003)	(1,990,003)

Net Assets of Governmental Activities \$24,043,933

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Food Service Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$1,802,403	\$0	\$133,617	\$37,029	\$1,973,049
Intergovernmental	8,246,174	355,370	21,651	880,070	9,503,265
Interest	57,662	0	0	0	57,662
Tuition and Fees	732,060	0	0	0	732,060
Rent	545	0	0	350	895
Extracurricular Activities	4,535	0	0	81,640	86,175
Gifts and Donations	12,852	0	0	27,476	40,328
Customer Sales and Services	0	255,426	0	0	255,426
Miscellaneous	108,591	2,143	0	792	111,526
Total Revenues	10,964,822	612,939	155,268	1,027,357	12,760,386
Expenditures:					
Current:					
Instruction:					
Regular	5,479,488	0	0	68,822	5,548,310
Special	806,956	0	0	330,874	1,137,830
Vocational	222,780	0	0	4,000	226,780
Student Intervention Services	4,821	0	0	0	4,821
Support Services:					
Pupils	348,832	0	0	95,081	443,913
Instructional Staff	725,321	0	0	59,047	784,368
Board of Education	52,204	0	0	0	52,204
Administration	720,134	0	0	310,155	1,030,289
Fiscal	334,883	0	4,562	1,284	340,729
Business	26,672	0	0	0	26,672
Operation and Maintenance of Plant	1,099,143	6,420	0	377,420	1,482,983
Pupil Transportation	781,796	0	0	0	781,796
Central	10,334	0	0	1,666	12,000
Operation of Non-Instructional Services:					
Food Services	421	559,892	0	0	560,313
Extracurricular Activities	146,260	0	0	96,319	242,579
Capital Outlay	195,303	0	0	0	195,303
Debt Service:					
Principal Retirement	20,008	0	115,000	0	135,008
Interest and Fiscal Charges	3,740	0	53,066	0	56,806
Total Expenditures	10,979,096	566,312	172,628	1,344,668	13,062,704
Excess of Revenues Over (Under) Expenditures	(14,274)	46,627	(17,360)	(317,311)	(302,318)
Other Financing Sources (Uses):					
Inception of Capital Leases	195,303	0	0	0	195,303
Transfers In	0	0	0	97,935	97,935
Transfers Out	(97,935)	0	0	0	(97,935)
Total Other Financing Sources (Uses)	97,368	0	0	97,935	195,303
Net Change in Fund Balances	83,094	46,627	(17,360)	(219,376)	(107,015)
Fund Balances at Beginning of Year	6,391,929	23,359	695,129	887,884	7,998,301
Fund Balances at End of Year	\$6,475,023	\$69,986	\$677,769	\$668,508	\$7,891,286

See accompanying notes to the basic financial statements

Lynchburg 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 (\$107,015)

*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	235,571	
Depreciation expense	(1,002,247)	
Excess of depreciation expense under capital outlay		(766,676)

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	15,522	
Intergovernmental	(341,042)	
Interest	(1,340)	
		(326,860)

The internal service fund used by management to charge the costs of insurance to individual funds is reported in the entity-wide Statement of Activities. (22,402)

Some expenses 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. The difference in the amount of interest on the Statement of Activities is the result of the following:

Decrease in accrued interest payable	517	
Amortization of bond premium	2,324	
Amortization of bond issuance costs	(1,797)	
Amortization of loss on refunding	(527)	
		517

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (195,303)

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:

Bond payments	115,000	
Capital lease payments	20,008	
Total long-term debt repayment		135,008

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

Decrease in compensated absences payable		36,168
--	--	--------

Change in Net Assets of Governmental Activities (\$1,246,563)

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$2,264,640	\$1,911,477	\$1,803,099	(\$108,378)
Intergovernmental	8,135,470	8,450,361	8,235,000	(215,361)
Interest	94,985	98,662	68,912	(29,750)
Tuition and Fees	616,778	640,651	732,060	91,409
Rent	963	1,000	545	(455)
Extracurricular Activities	4,769	4,954	4,535	(419)
Gifts and Donations	9,384	9,747	12,852	3,105
Miscellaneous	106,857	110,993	108,532	(2,461)
<i>Total Revenues</i>	<u>11,233,846</u>	<u>11,227,845</u>	<u>10,965,535</u>	<u>(262,310)</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,609,340	6,315,035	5,510,206	804,829
Special	1,153,703	957,465	807,643	149,822
Vocational	268,186	222,569	220,638	1,931
Student Intervention Services	7,342	6,093	5,052	1,041
Support Services:				
Pupils	429,874	356,755	350,161	6,594
Instructional Staff	915,865	760,082	721,751	38,331
Board of Education	72,554	60,213	65,524	(5,311)
Administration	1,012,272	840,090	770,444	69,646
Fiscal	416,264	345,460	334,043	11,417
Business	60,491	50,202	50,420	(218)
Operation and Maintenance of Plant	1,684,209	1,397,735	1,312,463	85,272
Pupil Transportation	1,155,529	958,980	825,556	133,424
Central	14,459	12,000	10,334	1,666
Operation of Non-Instructional Services	548	455	421	34
Extracurricular Activities	208,756	173,248	173,088	160
<i>Total Expenditures</i>	<u>15,009,393</u>	<u>12,456,382</u>	<u>11,157,744</u>	<u>1,298,638</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,775,547)</u>	<u>(1,228,537)</u>	<u>(192,209)</u>	<u>1,036,328</u>
Other Financing Sources (Uses):				
Transfers In	0	1,000	0	(1,000)
Transfers Out	0	(77,715)	(77,715)	0
Refund of Prior Year Expenditures	0	5,000	0	(5,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(71,715)</u>	<u>(77,715)</u>	<u>(6,000)</u>
<i>Net Change in Fund Balance</i>	<u>(3,775,547)</u>	<u>(1,300,252)</u>	<u>(269,924)</u>	<u>1,030,328</u>
<i>Fund Balance at Beginning of Year</i>	<u>7,262,746</u>	<u>7,262,746</u>	<u>7,262,746</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>245,702</u>	<u>245,702</u>	<u>245,702</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$3,732,901</u>	<u>\$6,208,196</u>	<u>\$7,238,524</u>	<u>\$1,030,328</u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Food Service
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$289,667	\$296,481	\$296,481	\$0
Customer Sales and Service	249,615	255,487	255,426	(61)
Miscellaneous	2,250	2,303	2,143	(160)
<i>Total Revenues</i>	<u>541,532</u>	<u>554,271</u>	<u>554,050</u>	<u>(221)</u>
Expenditures:				
Current:				
Support Services:				
Operation and Maintenance of Plant	8,491	8,079	7,071	1,008
Operation of Non-Instructional Services				
Food Service	<u>571,302</u>	<u>543,605</u>	<u>541,725</u>	<u>1,880</u>
<i>Total Expenditures</i>	<u>579,793</u>	<u>551,684</u>	<u>548,796</u>	<u>2,888</u>
<i>Net Change in Fund Balance</i>	(38,261)	2,587	5,254	2,667
<i>Fund Balance at Beginning of Year</i>	61,247	61,247	61,247	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,041</u>	<u>1,041</u>	<u>1,041</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$24,027</u></u>	<u><u>\$64,875</u></u>	<u><u>\$67,542</u></u>	<u><u>\$2,667</u></u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2012

	<u>Self-Insurance</u>
<i>Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$65,142
<i>Liabilities:</i>	
Claims Payable	<u>1,659</u>
<i>Net Assets:</i>	
Unrestricted	<u><u>\$63,483</u></u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2012

	<u>Self-Insurance</u>
<i>Operating Revenues:</i>	
Charges for Services	\$1,473,390
<i>Operating Expenses:</i>	
Purchased Services	1,477,142
Claims	18,773
<i>Total Operating Expenses</i>	1,495,915
<i>Operating Loss</i>	(22,525)
<i>Non-Operating Revenues:</i>	
Interest	123
<i>Change in Net Assets</i>	(22,402)
<i>Net Assets at Beginning of Year</i>	85,885
<i>Net Assets at End of Year</i>	\$63,483

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2012

	<u>Self-Insurance</u>
<i>Increases (Decreases) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$1,473,390
Cash Payments to Suppliers for Goods and Services	(1,477,142)
Cash Payments for Claims	(18,773)
<i>Net Cash Used by Operating Activities</i>	(22,525)
Cash Flows from Investing Activities:	
Interest	123
<i>Decrease in Cash and Cash Equivalents</i>	(22,402)
<i>Cash and Cash Equivalents at Beginning of Year</i>	87,544
<i>Cash and Cash Equivalents at End of Year</i>	\$65,142
Reconciliation of Operating Loss to Net Cash	
Used by Operating Activities:	
Operating Loss	(\$22,525)
<i>Net Cash Used by Operating Activities</i>	(\$22,525)

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$507,142	\$38,744
Liabilities:		
Undistributed Monies	0	\$38,744
Net Assets:		
Held in Trust for Scholarships	\$507,142	

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
	Scholarship
<i>Additions:</i>	
Interest	\$8,523
<i>Deductions:</i>	
Payments in Accordance with Trust Agreements	4,000
<i>Change in Net Assets</i>	4,523
<i>Net Assets at Beginning of Year</i>	502,619
<i>Net Assets at End of Year</i>	\$507,142

See accompanying notes to the basic financial statements

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Lynchburg 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 1853. The School District serves an area of approximately 113 square miles. It is located in Highland, Clinton, and Brown Counties, and includes all of the Village of Lynchburg; the community of Buford; Dodson, Salem, Hamer, Union, Clay, and Whiteoak Townships in Highland County; Perry and Green Townships in Brown County; and Clark Township in Clinton County. It is staffed by 78 classified employees, 91 certificated personnel and six administrative employees who provide services to 1,277 students. The School District currently operates three instructional buildings, one administrative building, and one garage.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Lynchburg 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 two jointly governed organizations and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Great Oaks Institute of Technology and Career Development, the Brown County Schools Benefits Consortium, and the Northern Buckeye Education Council Workers’ Compensation Group Retrospective Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lynchburg 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 standards-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 and to its Internal Service Fund 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 activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

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

Lynchburg 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 in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Internal Service Fund is presented on the face of the proprietary fund statements. 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. The funds of the School District fall within three categories: governmental, proprietary, and fiduciary.

Governmental Funds

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

General Fund - The General Fund is the operating fund of the School District and is used to account for and report all financial resources not 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.

Food Service Fund - The Food Service Fund is used to account for and report the sale of lunches restricted to the food service operations of the School District.

Debt Service Fund - The Debt Service Fund is used to account for and report the accumulation of resources restricted 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.

Lynchburg 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, committed, or assigned to a particular purpose.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

Internal Service Fund - Internal Service Funds account for the financing of services provided by one department or agency to the other departments or agencies of the School District. The Internal Service Fund is used to account for dental and vision benefits provided to employees and the collection and payment of premiums for medical insurance to the insurance purchasing pool.

Fiduciary Funds

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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Statement of Cash Flows provides information about how the School Distr finances and meets the cash flow needs of its proprietary activities.

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

Basis of Accounting

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

Revenues-Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 5). 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 as an advance, grants, and interest.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011 but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, 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 the 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 the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed.

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.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2012, the School District's investments were limited to money market mutual funds, negotiable certificates of deposit, Municipal Bonds, Federal National Mortgage Association Global Notes, and Federal National Mortgage Association Step Up Medium Term Notes. Investments are reported at fair value which is based on quoted market price. For investments in open-end mutual funds, the fair value is determined by the fund's current share price.

Lynchburg 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)

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 \$57,662, which includes \$11,674 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 supplies.

Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets generally 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 the asset's life are not capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	20 years
Buildings and Building Improvements	20-50 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	8 years
Books and Educational Media	6 years

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.

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the fund financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Activity

Transfers between government funds are eliminated on the government-wide financial statements.

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

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Fund Balance

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

Nonspendable

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

Restricted

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed

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

Assigned

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

Unassigned

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

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.

Loss on Refunding

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

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

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.

Bond Premiums/Issuance Costs

In the government-wide financial statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the period when the debt is issued.

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 3 - 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 (Non-GAAP Basis) and Actual for the General Fund and Food Service Special Revenue Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

Net Change in Fund Balance		Food Service Fund
	General	Fund
GAAP Basis	\$83,094	\$46,627
Adjustments:		
Revenue Accruals	(192,715)	(58,889)
Increase in Fair Market Value of Investments Fiscal Year 2012	(4,753)	0
Increase in Fair Market Value of Investments Fiscal Year 2011	2,878	0
Expenditure Accruals	132,335	29,798
Encumbrances	(310,983)	(12,282)
Transfers	20,220	0
Budget Basis	(\$269,924)	\$5,254

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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.

Deposits

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2012, the School District had the following investments, which are in an internal investment pool:

	Fair Value	Investment Maturities (in Years)		or S&P's* Rating	Percent of Total Investments
		Less than 1	1 - 5		
Municipal Bonds	\$490,063	\$0	\$490,063	Aaa	6.23%
Federal National Mortgage Association Bonds	2,407,364	0	2,407,364	Aaa	30.60%
Federal Home Loan Mortgage Association Bonds	500,460	0	500,460	Aaa	6.36%
Federal Home Loan Mortgage Corporation Bonds	500,955	0	500,955	Aaa	6.37%
Federal Home Loan Bank Bonds	1,099,286	0	1,099,286	AA+ *	13.97%
Federal National Mortgage Association Notes	1,753,543	0	1,753,543	Aaa	22.29%
Negotiable Certificates of Deposits	1,115,316	455,936	659,380	N/A	14.18%
Totals	\$7,866,987	\$455,936	\$7,411,051		

Interest Rate Risk

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

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

NOTE 5 - 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 property 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 statute 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 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.

The School District receives property taxes from Highland, Clinton, and Brown Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 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 includes real property and public utility property taxes which were 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 reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 5 - PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2012, was \$104,949 in the General Fund, \$7,806 in the Debt Service Fund, and \$2,142 in the Classroom Facilities Fund. The amount available as an advance at June 30, 2011, was \$105,645 in the General Fund, \$7,823 in the Debt Service Fund, and \$2,666 in the Classroom Facilities Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	2011 Second - Half Collections		2012 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$97,078,190	96.08%	\$98,153,380	95.98%
Public Utility Personal	3,977,580	3.92%	4,115,930	4.02%
Total Assessed Value	<u>\$101,055,770</u>	<u>100.00%</u>	<u>\$102,269,310</u>	<u>100.00%</u>
Tax Rate Per \$1,000 of Assessed Valuation	\$24.80		\$24.80	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2012, consisted of interest, intergovernmental grants, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs. All receivables will be collected within one year except for property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Food Service - Federal Lunch Reimbursement	\$29,895
School Employees Retirement System Reimbursement	11,174
Department of Agriculture Grant	4,000
Education Jobs	132,803
Title VI-B Grant	53,025
Title I Grant	28,558
Improving Teacher Quality	12,636
Total Intergovernmental Receivable	<u>\$272,091</u>

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 7 - 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	\$405,668	\$0	\$0	\$405,668
Capital Assets Being Depreciated:				
Land Improvements	2,310,725	0	0	2,310,725
Buildings and Building Improvements	25,065,769	0	0	25,065,769
Furniture, Fixtures and Equipment	2,548,522	235,571	(8,932)	2,775,161
Vehicles	1,456,312	0	0	1,456,312
Books and Educational Media	663,730	0	0	663,730
Total Capital Assets Being Depreciated	<u>32,045,058</u>	<u>235,571</u>	<u>(8,932)</u>	<u>32,271,697</u>
Less Accumulated Depreciation:				
Land Improvements	(1,180,129)	(104,003)	0	(1,284,132)
Buildings and Building Improvements	(9,134,210)	(639,953)	0	(9,774,163)
Furniture, Fixtures and Equipment	(1,760,313)	(169,792)	8,932	(1,921,173)
Vehicles	(1,086,665)	(81,061)	0	(1,167,726)
Books and Educational Media	(644,408)	(7,438)	0	(651,846)
Total Accumulated Depreciation	<u>(13,805,725)</u>	<u>(1,002,247) *</u>	<u>8,932</u>	<u>(14,799,040)</u>
Total Capital Assets Being Depreciated, Net	<u>18,239,333</u>	<u>(766,676)</u>	<u>0</u>	<u>17,472,657</u>
Governmental Activities Capital Assets, Net	<u>\$18,645,001</u>	<u>(\$766,676)</u>	<u>\$0</u>	<u>\$17,878,325</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$561,985
Special	58,135
Vocational	23,582
Support Services:	
Pupils	18,500
Instructional Staff	13,895
Administration	78,098
Fiscal	1,789
Business	19,530
Operation and Maintenance of Plant	48,525
Pupil Transportation	80,639
Operation of Non-Instructional Services:	
Food Services	92,850
Extracurricular Activities	4,719
Total Depreciation Expense	<u>\$1,002,247</u>

NOTE 8 - RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with Ohio Casualty Insurance for property insurance, fleet insurance, liability insurance, and inland marine coverage.

Settled claims have not exceeded this commercial coverage in any of the past five fiscal years.

Workers' Compensation

For fiscal year 2012, the District participated in the Northern Buckeye Educational Council Workers' Compensation Group Retrospective Rating Plan (GRRP), an insurance purchasing pool (Note 16). The intent of the GRRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRRP.

Participation in the GRRP is limited to school districts that can meet the GRRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRRP.

Vision and Dental Benefits

Vision and dental benefits are provided through a self-insurance program. Monthly premiums are paid to Medical Mutual, who in turn pays the claims on the School District's behalf.

The information presented below represents an estimate of vision and dental claims. The claims liability of \$1,659 reported in the internal service fund at June 30, 2012, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 8 - RISK MANAGEMENT (Continued)

	<u>Beginning of Fiscal Year</u>	<u>Fiscal Year Claims</u>	<u>Claims Payments</u>	<u>End of Fiscal Year</u>
2011	\$1,985	\$22,537	\$22,863	\$1,659
2012	1,659	18,773	18,773	1,659

Employee Medical Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 16) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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 \$212,120, \$182,151, and \$156,049, respectively. For fiscal year 2012, 100 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 participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$690,911, \$547,434, and \$643,824, respectively. For fiscal year 2012, 83.58 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.

Contributions to the DC and Combined Plans for fiscal year 2012 were \$13,189 made by the School District and \$9,421 made by the plan members.

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, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - 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 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, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 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 fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$24,310 in surcharge.

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

The School District’s contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$33,496, \$41,859, and \$39,718, respectively. For fiscal year 2012, 100 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 \$12,527, \$11,722, and \$9,280, respectively. For fiscal year 2012, 100 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.

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$53,147, \$42,110, and \$49,525, respectively. For fiscal year 2012, 83.58 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.

NOTE 11 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from School District policies and State laws. Eligible classified employees 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. Each fiscal year, employees are given the option to request payment for up to 10 days of vacation leave at fiscal year-end.

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 210 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 52 days.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 11 - EMPLOYEE BENEFITS (continued)

Special Termination Benefits

The School District offers an Early Notice of Retirement Incentive program to all employees who are eligible to retire under either SERS or STRS. The employees who give written notice of the intended retirement date on or before March 1 of the year in which they intend to retire will receive an incentive payment. The employees may exercise this option in the first, second, or third year of eligibility for retirement. The incentive amount is calculated by multiplying an average of the last three full years' wages by the years of service and a factor rate. The factor rate is .005 for the first year, .0033 for the second year, and .0025 for the third year. Payment is made on June 1 of the year in which the employee retires.

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Ohio Educational Employees Life Insurance Trust.

NOTE 12 - LEASES – LESSEE DISCLOSURE

During the fiscal year, the School District entered into a capitalized lease for copiers. 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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The copiers acquired by lease were capitalized in the amount of \$195,303, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2012 totaled \$20,008 and were paid from the General Fund.

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

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Furniture, Fixtures, and Equipment	\$195,303	(\$19,530)	\$175,773

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 12 - LEASES – LESSEE DISCLOSURE (continued)

Fiscal Year Ending June 30,	Total Payments
2013	\$47,496
2014	\$47,496
2015	\$47,496
2016	\$47,495
Less: Amount Representing Interest	(14,688)
Present Value of Net Minimum Lease Payments	\$175,295

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Amounts Outstanding 6/30/2011	Additions	Deductions	Amounts Outstanding 6/30/2012	Amounts Due in One Year
Governmental Activities:					
1998 School Improvement Bonds, 3.8%	\$455,000	\$0	\$105,000	\$350,000	\$110,000
2008 School Improvement Bonds, 3.8%	875,000	0	10,000	865,000	10,000
Premium on Refunding	23,237	0	2,324	20,913	0
Deferred Loss on Refunding	(5,266)	0	(527)	(4,739)	0
Capital Leases	0	195,303	20,008	175,295	41,235
Compensated Absences	619,702	1,686	37,854	583,534	33,461
Total Governmental Activities	\$1,967,673	\$196,989	\$174,659	\$1,990,003	\$194,696

School Improvement Bonds – In July 1998, the School District issued school improvement bonds in the amount of \$2,330,600 for the construction of a new elementary school, a new high school, and renovations to the old high school building to be used as a middle school. The bonds were issued for a 23 year period with final maturity in fiscal year 2021. The bonds will be paid from the Debt Service Fund with property taxes.

In September 2008, the School District issued \$984,999 in school improvement bonds for the purpose of refunding a portion of the 1998 School Improvement Bonds. The bonds were issued for a 12 year period, with final maturity in December 2020.

Compensated absences will be paid from the General, Food Service, Title VI-B, Title I, and Title VI-R Funds.

The School District’s overall legal debt margin was \$8,667,007, with an unvoted debt margin of \$102,269 at June 30, 2012.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the school improvement bonds outstanding at June 30, 2012, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2013	\$120,000	\$46,719	\$166,719
2014	125,000	40,091	165,091
2015	131,104	37,087	168,191
2016	78,896	90,779	169,675
2017	145,000	26,957	171,957
2017-2021	615,000	50,118	665,118
Total	<u>\$1,215,000</u>	<u>\$291,751</u>	<u>\$1,506,751</u>

NOTE 14 - 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	Food Service	Debt Service	Other Governmental Funds	Total
<i>Nonspendable</i>					
Inventory	\$0	\$532	\$0	\$0	\$532
<i>Restricted for</i>					
Debt Service	0	0	677,769	0	677,769
Permanent Improvements	0	0	0	236,087	236,087
Classroom Facilities	0	0	0	384,752	384,752
District Managed Activity	0	0	0	46,551	46,551
Food Service Operations	0	69,454	0	0	69,454
Grants	0	0	0	18,326	18,326
<i>Total Restricted</i>	<u>0</u>	<u>69,454</u>	<u>677,769</u>	<u>685,716</u>	<u>1,432,939</u>
<i>Committed to</i>					
Other Purposes	11,000	0	0	0	11,000
<i>Assigned to</i>					
Other Purposes	309,854	0	0	0	309,854
<i>Unassigned (Deficit)</i>	<u>6,154,169</u>	<u>0</u>	<u>0</u>	<u>(17,208)</u>	<u>6,136,961</u>
<i>Total Fund Balances</i>	<u>\$6,475,023</u>	<u>\$69,986</u>	<u>\$677,769</u>	<u>\$668,508</u>	<u>\$7,891,286</u>

NOTE 15 - 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, and a representative of the fiscal agent. The School District paid SCOCA \$94,625 for services provided 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.

Great Oaks Institute of Technology and Career Development

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

NOTE 16 - INSURANCE PURCHASING POOLS

Brown County Schools Benefits Consortium

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville–Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg–Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical and dental insurance for the benefit of the consortium members’ employees and their dependents. The consortium contracts with United Healthcare to provide medical insurance directly to consortium member employees. The Educational Service Center pays premiums to the consortium based on employee membership. For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district’s dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district’s claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

Northern Buckeye Education Council Officials Workers’ Compensation Group Retrospective Rating Plan

The School District participates in a group retrospective rating plan for workers’ compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Compensation Group Retrospective Rating Plan (GRRP) was established as a group insurance purchasing pool. The GRRP’s business and affairs are conducted by a five member Board of Directors. Each fiscal year, the participants pay an enrollment fee to the GRRP to cover the costs of administering the program.

NOTE 17 - 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.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 17 - SET-ASIDE CALCULATIONS (Continued)

The School District is no longer required to set aside funds in the budget reserve, with the exception of monies received from the Bureau of Workers' Compensation prior to April 10, 2001, which must be retained for budget stabilization or spent for specified purposes.

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

	<u>Capital Acquisition</u>
Set-Aside Balance as of June 30, 2011	\$0
Current Fiscal Year Set-aside Requirement	221,488
Current Fiscal Year Qualifying Expenditures	(94,207)
Current Fiscal Year Offsets	<u>(127,281)</u>
Totals	<u>\$0</u>
Set-Aside Balance as of June 30, 2012	<u>\$0</u>
Set-Aside Balance Carried Forward to Fiscal Year 2013	<u>\$0</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount to zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years.

In previous fiscal years, the School District was required to have a textbook reserve. Effective July 1, 2011, House Bill 30 of the 129th General Assembly repealed the textbook reserve requirement.

NOTE 18 - INTERFUND ACTIVITY

Transfers To/From Other Funds

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

		<u>Transfer To</u>
		All Other Governmental Funds
<u>Transfer From</u>	General Fund	<u>\$97,935</u>

Transfers were made to the All Other Governmental Funds to support programs and projects accounted for in those funds.

NOTE 19 - CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2012.

Litigation

The School District is not currently party to legal proceedings.

NOTE 20 - ACCOUNTABILITY

At June 30, 2012, the Title I and Title VI-R Special Revenue Funds had deficit fund balances of \$14,203 and \$3,005, respectively. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

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.

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**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

**SCHEDULE of FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed through Ohio Department of Education:</i>					
Nutrition Cluster:					
National School Breakfast Program	10.553	78,123		78,123	
National School Lunch Program	10.555	212,245	28,994	212,245	32,129
<i>Total Nutrition Cluster</i>		<u>290,368</u>	<u>28,994</u>	<u>290,368</u>	<u>32,129</u>
Total U.S. Department of Agriculture		290,368	28,994	290,368	32,129
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title I -	84.010	179,599		173,013	
ARRA - Title I	84.389	2,637		1,748	
<i>Total Title I</i>		<u>182,236</u>		<u>174,761</u>	
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B	84.027	219,942		221,363	
ARRA - IDEA Part B	84.391	-		3,322	
Early Childhood	84.173	4,221		4,627	
<i>Total Special Education Cluster</i>		<u>224,163</u>		<u>229,312</u>	
Title IID Educational Technology	84.318	1,178		1,178	
Improving Teacher Quality	84.367	53,517		53,978	
Education Jobs	84.410	313,463		362,424	
Total Department of Education		774,557	-	821,653	-
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 1,064,925	\$ 28,994	\$ 1,112,021	\$ 32,129

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

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Lynchburg-Clay Local School District
Highland County
301 E. Pearl Street
Lynchburg, Ohio 45141

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynchburg-Clay Local School District, Highland County, (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 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *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.

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

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*.

Lynchburg-Clay Local School District
Highland County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 18, 2013



Dave Yost • Auditor of State

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

Lynchburg-Clay Local School District
Highland County
301 Pearl Street
Lynchburg, Ohio 45142

To the Board of Education:

Compliance

We have audited the compliance of Lynchburg-Clay Local School District, Highland 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 the Lynchburg-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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, the Lynchburg-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.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

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

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

We intend this report solely for the information and use of the audit committee, management, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 18, 2013

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT

HIGHLAND 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
APRIL 2, 2013