

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

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

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2014*

TRACY PARKER, TREASURER



Dave Yost • Auditor of State

Board of Education
Clinton-Massie Local School District
2556 Lebanon Road
Clarksville, Ohio 45113

We have reviewed the *Independent Auditor's Report* of the Clinton-Massie Local School District, Clinton County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 11, 2015

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton-Massie Local School District, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Clinton-Massie Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Clinton-Massie Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Clinton-Massie Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton-Massie Local School District, Clinton County, Ohio, as of June 30, 2014, and the respective changes in financial position for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* on pages 3 - 12 and the Required Budgetary Comparison Information on pages 44 - 46, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Clinton-Massie Local School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the Clinton-Massie Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clinton-Massie Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 15, 2014

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

The discussion and analysis of Clinton-Massie Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position of governmental activities decreased \$939,562 which represents a 3% decrease from 2013.
- General revenues accounted for \$14,424,200 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,429,783 or 19% of total revenues of \$17,853,983.
- The District had \$18,793,545 in expenses related to governmental activities; \$3,429,783 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,424,200 were also used to provide for these programs.

Overview of the Financial Statements

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

The *Statement of Net Position* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund and Debt Service Fund are the major funds of the District.

Government-Wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2014?" The Government-wide Financial Statements answers this question. These statements include *all assets and liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

These two statements report the District's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

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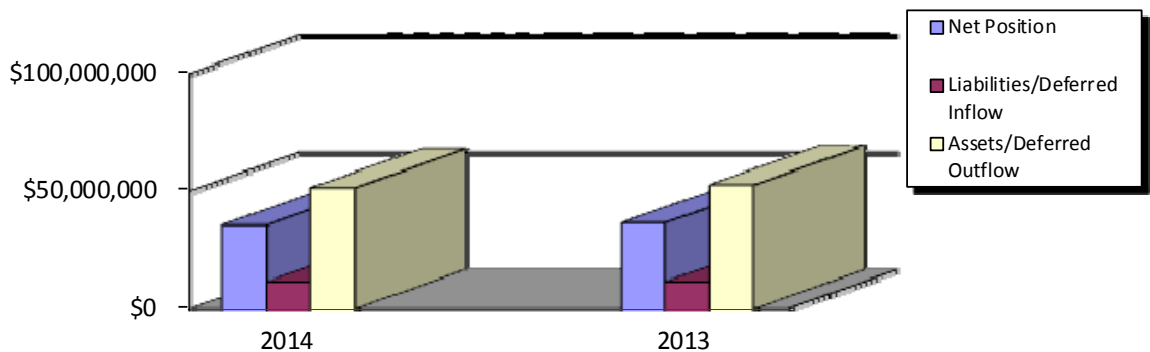
**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013:

**Table 1
Net Position**

	Governmental Activities	
	2014	2013 Restated
Assets:		
Current and Other Assets	\$9,802,795	\$10,296,396
Capital Assets	41,627,208	42,427,522
Total Assets	51,430,003	52,723,918
Total Deferred Outflows of Resources	287,199	0
Liabilities:		
Other Liabilities	1,596,988	1,530,759
Long-Term Liabilities	9,743,581	9,841,333
Total Liabilities	11,340,569	11,372,092
Total Deferred Inflows of Resources	4,888,535	4,924,166
Net Position:		
Net Investment in Capital Assets	33,194,646	33,524,585
Restricted	1,245,102	1,510,395
Unrestricted	1,048,350	1,392,680
Total Net Position	\$35,488,098	\$36,427,660



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,488,098.

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

At year-end, capital assets represented 80% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2014, was \$33,194,646. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,245,102 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital assets decreased due to additions being less than depreciation expense for the fiscal year. Long-term liabilities decreased mainly due to the District continuing to make principal payments on its long-term debt obligations.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

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**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

**Table 2
Changes in Net Position**

	Governmental Activities	
	2014	2013
Revenues:		
Program Revenues		
Charges for Services	\$2,001,621	\$2,079,321
Operating Grants, Contributions	1,428,162	1,301,166
General Revenues:		
Property Taxes	5,143,787	5,022,571
Grants and Entitlements	9,005,252	8,980,701
Other	275,161	202,989
Total Revenues	17,853,983	17,586,748
Program Expenses:		
Instruction	11,480,165	11,694,497
Support Services:		
Pupil and Instructional Staff	1,325,845	1,879,321
School Administrative, General		
Administration, Fiscal and Business	1,522,619	1,508,997
Operations and Maintenance	1,639,566	1,698,379
Pupil Transportation	1,068,550	1,202,532
Central	0	3,916
Operation of Non-Instructional Services	769,200	702,930
Extracurricular Activities	628,355	746,296
Interest and Fiscal Charges	359,245	375,207
Total Program Expenses	18,793,545	19,812,075
Change in Net Position	(939,562)	(2,225,327)
Net Position - Beginning of Year, Restated	36,427,660	38,652,987
Net Position - End of Year	\$35,488,098	\$36,427,660

The District revenues are mainly from two sources. Property taxes levied for general, special revenue, and debt service purposes, and grants and entitlements comprised 79% of the District's revenues for governmental activities.

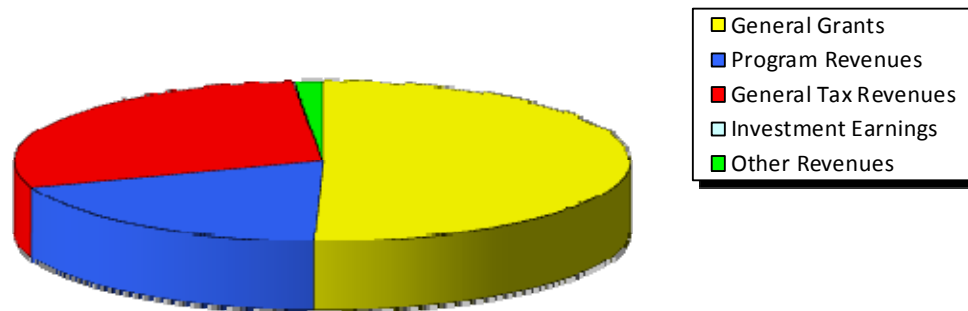
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

**Clinton-Massie Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 29% of revenue for governmental activities for the District in fiscal year 2014.

**Governmental Activities
Revenue Sources**

Revenue Sources	2014	Percent of Total
General Grants	\$9,005,252	50.44%
Program Revenues	3,429,783	19.21%
General Tax Revenues	5,143,787	28.81%
Investment Earnings	15,482	0.09%
Other Revenues	259,679	1.45%
Total Revenue Sources	\$17,853,983	100.00%



Instruction comprises 61.0% of governmental program expenses. Support services expenses were 29.6% of governmental program expenses. All other expenses including interest expense were 9.4% . Interest expense was attributable to the outstanding bonds and borrowing for capital projects.

Total revenues increased by 1.5% from 2013 to 2014. The increase was mainly due to a slight increase in all revenue sources during 2014.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$11,480,165	\$11,694,497	(\$9,013,376)	(\$9,444,613)
Support Services:				
Pupil and Instructional Staff	1,325,845	1,879,321	(1,312,491)	(1,748,712)
School Administrative, General Administration, Fiscal and Business	1,522,619	1,508,997	(1,522,093)	(1,508,182)
Operations and Maintenance	1,639,566	1,698,379	(1,580,334)	(1,632,799)
Pupil Transportation	1,068,550	1,202,532	(1,068,550)	(1,187,376)
Central	0	3,916	0	(3,916)
Operation of Non-Instructional Services	769,200	702,930	(105,307)	(55,934)
Extracurricular Activities	628,355	746,296	(402,366)	(474,849)
Interest and Fiscal Charges	359,245	375,207	(359,245)	(375,207)
Total Expenses	<u>\$18,793,545</u>	<u>\$19,812,075</u>	<u>(\$15,363,762)</u>	<u>(\$16,431,588)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the general fund comprised \$7,756,743 (79%) and assets of the debt service fund comprised \$1,486,792 (15%) of the total \$9,802,795 governmental funds' assets.

General Fund: Fund balance at June 30, 2014 was \$1,729,144, a decrease in fund balance of \$444,975 from 2013.

Debt Service Fund: Fund balance at June 30, 2014 was \$1,010,908, a decrease in fund balance of \$95,284 from 2013.

General Fund Budgeting Highlights

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

During the course of fiscal 2014, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$15,609,402, compared to original budget estimates of \$15,326,895. Of the \$282,507 difference, most was due to an under estimate for taxes and intergovernmental revenue.

The District's general fund ending unobligated cash balance was \$2,536,211 at fiscal year end.

Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2014, the District had \$41,627,208 invested in land, land improvements, buildings and improvements, equipment and vehicles. Table 4 shows fiscal 2014 balances compared to fiscal 2013:

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$462,953	\$462,953
Land Improvements	1,321,013	1,425,719
Buildings and Improvements	38,531,787	39,136,419
Equipment	856,486	1,013,276
Vehicles	454,969	389,155
Total Net Capital Assets	<u>\$41,627,208</u>	<u>\$42,427,522</u>

The decrease in capital assets is due to additions being less than depreciation expense for the fiscal year.

See Note 7 to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2014, the District had \$8,870,227 in bonds and capital leases outstanding, \$854,816 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

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Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2014	2013
Bonds Payable:		
2001 High School	\$0	\$0
2009 Qualified School Construction	360,000	390,000
2011 Current Interest Bonds	6,185,000	6,590,000
2011 Capital Appreciation Bonds	274,995	274,995
2011 Accretion of Interest	150,466	91,494
2011 Refunding - Premium	422,722	450,903
2011 Refunding - Deferred Amount	0	(306,346)
2013 HB264 #1	705,000	750,000
2013 HB264 Premium	26,941	29,013
Capital Lease Payable:		
Capital Lease	745,103	724,372
	<u>\$8,870,227</u>	<u>\$8,994,431</u>

See Notes 8-9 to the basic financial statements for further details on the District's long-term liabilities.

For the Future

The District is on reasonably solid financial ground for the next fiscal year, but is beginning to experience a decline in operating reserves. At the end of fiscal year 2012, the District had a little over 2.5 months of unencumbered operating reserves. This financial health has been a consistent strength over the past decade; as Clinton-Massie has not had an operating levy on the ballot in over 20 years, which is very unusual given the current school funding climate in Ohio. With slow growth enrollment in recent years, the Board decided to implement Open Enrollment in fiscal year 2010 and had an overwhelming number of applicants. The district accepted 80 Open Enrollment students in fiscal year 2010, 120 Open Enrollment students in fiscal year 2011 and 155 Open Enrollment students in fiscal year 2012 which really helped prop up the declining revenue stream and will continue to remain steady going into fiscal year 2013. Another revenue stream that began in fiscal year 2011 was personal property taxes from the completion of the Rockies Express Pipeline. The District received half a year of tax collections in fiscal year 2011 and received a full year of tax collections in fiscal year 2012.

Due to heavy funding by the state, the District is highly susceptible to any and all changes made to the school funding formula. Overall state funding, including stimulus money, declined in fiscal years 2010, 2011 and 2012 and will decline further in fiscal year 2013 when the last of the stimulus money is gone. This apparent trend in decreased support from the state has and will continue to present challenges. Operational expenditures continue to increase at a higher rate than increases in state and local revenues. As increases in expenditures outpace revenues in future years, costs and programs must be reduced or new sources of revenues must be found. The District is currently weighing alternatives, and making various cost-conscious changes, where possible, before going to the voters to ask for more local tax dollars. However, without major reform to the state funding system, a tax levy will be needed in the near future.

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

The District added a new High School in fiscal year 2005, a renovated Middle School in fiscal year 2009, and a new Elementary School in fiscal year 2010. The old elementary building (now called Annex) was partially demolished with the remaining space being available for use as needed by the District. The Warren County YMCA began leasing space in the Annex for a daycare, and the two gymnasiums are also in use throughout the year for various sports and activities. Starting with fiscal year 2011, the District began utilizing more of the Annex to house two ED Units and the Alternative School which had previously been contracted out and will produce a cost savings to the District.

Academically, the District was rated as "Excellent with Distinction" by ODE for the 2009-2010 and the 2010-2011 school years. Administration will continue to work diligently to retain this rating. The District strives to make good use of the financial resources it has been entrusted with and will continue to pursue excellence in every area.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to, Clinton-Massie Local School District, Tracy Parker, Treasurer, 2556 Lebanon Road, Clarksville, Ohio 45113.

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Clinton-Massie Local School District, Ohio
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$4,216,441
Receivables (Net):	
Taxes	5,405,862
Accounts	76,430
Interest	205
Intergovernmental	89,968
Inventory	13,889
Nondepreciable Capital Assets	462,953
Depreciable Capital Assets, Net	<u>41,164,255</u>
 Total Assets	 <u>51,430,003</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding	<u>287,199</u>
 Total Deferred Outflows of Resources	 <u>287,199</u>
 Liabilities:	
Accounts Payable	194,488
Accrued Wages and Benefits	1,350,323
Accrued Interest Payable	52,177
Long-Term Liabilities:	
Due Within One Year	1,008,501
Due In More Than One Year	<u>8,735,080</u>
 Total Liabilities	 <u>11,340,569</u>
 Deferred Inflows of Resources:	
Property Taxes	<u>4,888,535</u>
 Total Deferred Inflows of Resources	 <u>4,888,535</u>
 Net Position:	
Net Investment in Capital Assets	33,194,646
Restricted for:	
Debt Service	1,018,430
Federal Grants	3,802
Classroom Facilities Maintenance	137,777
District Managed Student Activities	85,054
Other Purposes	39
Unrestricted	<u>1,048,350</u>
 Total Net Position	 <u>\$35,488,098</u>

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$8,510,035	\$1,182,757	\$59,448	(\$7,267,830)
Special	1,936,500	182,372	1,036,193	(717,935)
Vocational	0	0	2,700	2,700
Other	1,033,630	0	3,319	(1,030,311)
Support Services:				
Pupil	931,868	0	13,354	(918,514)
Instructional Staff	393,977	0	0	(393,977)
General Administration	40,557	0	0	(40,557)
School Administration	1,055,047	0	0	(1,055,047)
Fiscal	427,015	0	526	(426,489)
Operations and Maintenance	1,639,566	13,720	45,512	(1,580,334)
Pupil Transportation	1,068,550	0	0	(1,068,550)
Operation of Non-Instructional Services	769,200	396,783	267,110	(105,307)
Extracurricular Activities	628,355	225,989	0	(402,366)
Interest and Fiscal Charges	359,245	0	0	(359,245)
Totals	\$18,793,545	\$2,001,621	\$1,428,162	(15,363,762)

General Revenues:

Property Taxes Levied for:

General Purposes	4,583,779
Special Revenue Purposes	87,305
Debt Service Purposes	472,703
Grants and Entitlements, Not Restricted	9,005,252
Revenue in Lieu of Taxes	9,772
Unrestricted Contributions	23,039
Investment Earnings	15,482
Other Revenues	226,868

Total General Revenues 14,424,200

Change in Net Position (939,562)

Net Position - Beginning of Year, Restated 36,427,660

Net Position - End of Year \$35,488,098

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$2,863,105	\$975,848	\$377,488	\$4,216,441
Receivables (Net):				
Taxes	4,814,810	499,094	91,958	5,405,862
Accounts	61,244	11,850	3,336	76,430
Interest	205	0	0	205
Intergovernmental	17,379	0	72,589	89,968
Inventory	0	0	13,889	13,889
Total Assets	7,756,743	1,486,792	559,260	9,802,795
Liabilities:				
Accounts Payable	129,845	0	64,643	194,488
Accrued Wages and Benefits	1,231,657	0	118,666	1,350,323
Compensated Absences	69,270	0	0	69,270
Total Liabilities	1,430,772	0	183,309	1,614,081
Deferred Inflows of Resources:				
Property Taxes	4,596,827	475,884	87,751	5,160,462
Grants and Other Taxes	0	0	9,526	9,526
Total Deferred Inflows of Resources	4,596,827	475,884	97,277	5,169,988
Fund Balances:				
Restricted	0	1,010,908	221,086	1,231,994
Assigned	458,730	0	138,335	597,065
Unassigned	1,270,414	0	(80,747)	1,189,667
Total Fund Balances	1,729,144	1,010,908	278,674	3,018,726
Total Liabilities, Deferred Inflows and Fund Balances	\$7,756,743	\$1,486,792	\$559,260	\$9,802,795

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balance \$3,018,726

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

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds.

Capital assets used in the operation of Governmental Funds 41,627,208

Other long-term assets are not available to pay for current-
 period expenditures and, therefore, are deferred in the funds.

Delinquent Property Taxes	271,927	
Intergovernmental	<u>9,526</u>	
		281,453

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (52,177)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences (804,084)

Deferred outflow of resources associated with long-term liabilities
 are not reported in the funds. 287,199

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds. (8,870,227)

Net Position of Governmental Activities \$35,488,098

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$4,592,211	\$473,567	\$87,450	\$5,153,228
Tuition and Fees	1,365,129	0	0	1,365,129
Investment Earnings	15,482	0	0	15,482
Intergovernmental	9,518,533	67,836	869,156	10,455,525
Extracurricular Activities	46,392	0	156,017	202,409
Charges for Services	13,500	0	420,583	434,083
Other Revenues	150,372	13,682	72,586	236,640
Total Revenues	15,701,619	555,085	1,605,792	17,862,496
Expenditures:				
Current:				
Instruction:				
Regular	7,538,216	0	59,421	7,597,637
Special	1,461,159	0	482,935	1,944,094
Other	1,034,017	0	0	1,034,017
Support Services:				
Pupil	935,399	0	6,968	942,367
Instructional Staff	402,971	0	5	402,976
General Administration	40,557	0	0	40,557
School Administration	1,048,377	0	0	1,048,377
Fiscal	408,823	11,094	2,045	421,962
Operations and Maintenance	1,447,328	0	165,185	1,612,513
Pupil Transportation	1,199,764	0	0	1,199,764
Operation of Non-Instructional Services	940	0	765,066	766,006
Extracurricular Activities	384,430	0	238,726	623,156
Capital Outlay	10,193	0	0	10,193
Debt Service:				
Principal Retirement	497,389	405,000	0	902,389
Interest and Fiscal Charges	47,891	234,275	0	282,166
Total Expenditures	16,457,454	650,369	1,720,351	18,828,174
Excess of Revenues Over (Under) Expenditures	(755,835)	(95,284)	(114,559)	(965,678)
Other Financing Sources (Uses):				
Proceeds of Capital Leases	443,120	0	0	443,120
Proceeds from Sale of Capital Assets	1,500	0	0	1,500
Transfers In	0	0	133,760	133,760
Transfers (Out)	(133,760)	0	0	(133,760)
Total Other Financing Sources (Uses)	310,860	0	133,760	444,620
Net Change in Fund Balance	(444,975)	(95,284)	19,201	(521,058)
Fund Balance - Beginning of Year	2,174,119	1,106,192	259,473	3,539,784
Fund Balance - End of Year	\$1,729,144	\$1,010,908	\$278,674	\$3,018,726

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balance - Total Governmental Funds (\$521,058)

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

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	1,041,878	
Depreciation Expense	<u>(1,785,972)</u>	(744,094)

Governmental funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the statement
 of activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (56,220)

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

Delinquent Property Taxes	(9,441)	
Intergovernmental	<u>928</u>	(8,513)

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position. 902,389

In the statement of activities interest expense is accrued when incurred;
 whereas, in governmental funds an interest expenditure is reported
 when due. (29,213)

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.

Compensated Absences	8,133	
Amortization of Bond Premium	30,253	
Amortization of Deferred Charge on Refunding	(19,147)	
Bond Accretion	<u>(58,972)</u>	(39,733)

Proceeds from debt issues are an other financing source in the funds,
 but a debt issue increases long-term liabilities in the statement
 of net position. (443,120)

Change in Net Position of Governmental Activities (\$939,562)

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$70,493	\$18,252
Total Assets	<u>70,493</u>	<u>18,252</u>
Liabilities:		
Accounts Payable	0	115
Other Liabilities	<u>0</u>	<u>18,137</u>
Total Liabilities	<u>0</u>	<u>\$18,252</u>
Net Position:		
Held in Trust	<u>70,493</u>	
Total Net Position	<u>\$70,493</u>	

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions:	
Investment Earnings	\$559
Other	<u>2,856</u>
Total Additions	<u>3,415</u>
Deductions:	
Scholarships	<u>4,657</u>
Total Deductions	<u>4,657</u>
Change in Net Position	(1,242)
Net Position - Beginning of Year	<u>71,735</u>
Net Position - End of Year	<u><u>\$70,493</u></u>

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Note 1 - Description of the School District

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by State and/or federal agencies. This Board controls the District's two instructional facilities (High/Middle School and Elementary School) and one support facility (bus garage) staffed by 86 non-certified and 116 certified teaching personnel and 11 administrative employees to provide service to 1,929 students and other community members.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

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

Jointly Governed Organizations

Southwest Ohio Computer Association (SWOCA)

SWOCA is a jointly governed organization among a three-county consortium of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge, dependent upon the software package utilized.

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

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

Insurance Purchasing Pool

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

The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Council (EPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products, including BWC coverage, to provide health benefits to participants at a lower rate than if the individual districts acted independently. Currently, Clinton-Massie participates in the Health Benefit Plan, Dental Benefit Plan and the Life Insured Benefit Plan. As a member of the Health and Dental Plans, each district pays a monthly premium to the Trust fund for insurance coverage, which is provided by Anthem and Delta Dental, respectively. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. Financial information can be obtained from Doug Merkle, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive Suite 208, Vandalia, OH 45377-1171.

Fund Accounting

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

Governmental Funds

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

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

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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

Proprietary Fund

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

Fiduciary Funds

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

Basis of Presentation and Measurement Focus

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

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and grants and other taxes (which includes tax incremental financing 'TIF'). Property taxes represent amounts for which

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

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

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

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource and are not to be repaid. However, the District elected to budget these temporary resources anyway. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by Board. The legal level of control has been established by Board at the fund level of expenditures. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts of the budgetary statement reflect the amounts on the final certificate of estimated resources issued during the fiscal year 2014.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2014.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Cash and Investments

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

During fiscal year 2014, investments were limited to governmental money markets as well as federally insured negotiable certificates of deposits.

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

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the building capital projects fund. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$15,482.

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

Inventory

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

On the fund financial statements, reported material and supplies inventory is the value of the donated commodities which is equally offset by a restricted fund balance in the governmental funds.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains its capitalization threshold at \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Description	Estimated Lives
Land Improvements	20 years
Buildings and improvements	20 - 50 years
Equipment	5 - 20 years
Vehicles	8 years

Compensated Absences

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

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

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

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

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

<u>VACATION</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certified</u>
How earned	Not eligible	20 days at start of each contract year	10-20 days depending on length of service
Maximum accumulation	Not applicable	2 years	1 year
Vested	Not applicable	As earned	As earned
Termination entitlement	Not applicable	Unused balance upon termination	Unused balance upon termination

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

SICK LEAVE

How earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)
Maximum accumulation	Unlimited	Unlimited	Unlimited
Vested	As earned	As earned	As earned
Termination entitlement	Per contract	Per policy	Per policy

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, matured compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements when they mature or, for pension contributions, when the service is rendered. Bonds are recognized as a liability on the fund financial statements when due.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts, which had been restricted, committed or assigned for said purposes.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$1,245,102 in restricted net position, none were restricted by enabling legislation.

Estimates

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

Interfund Activity

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

Note 3 – Accountability

Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Special Education	\$5,992
Title I	1,644
Improving Teacher Quality	3,208
Food Service	69,903

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the nonmajor governmental funds result from adjustments for accrued liabilities.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Note 4 - Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current five year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances, which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2014, all of the District's bank balance of \$401,708 was covered by the FDIC.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2014, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Negotiable CDs	\$1,672,777	0.25
Money Market Government Securites	<u>2,330,135</u>	0.00
Total Fair Value	<u><u>\$4,002,912</u></u>	
Portfolio Weighted Average Maturity		0.25

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments, which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

organizations. The District's investments in governmental money markets had an AAAm money market rating.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 42% is invested in negotiable CDs and 58% is invested in money market governmental securities.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District. The District's investment policy does not address this risk for investments.

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real property taxes received in calendar year 2014 became a lien on December 31, 2010, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value.

The District receives property taxes from Clinton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2014 was \$217,983 in the general fund, \$23,210 in the debt service fund and \$4,207 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2014 First Half Collections		2013 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$215,784,170	91.26%	\$216,510,620	91.08%
Public utility personal	20,663,310	8.74%	21,210,079	8.92%
Total	\$236,447,480	100.00%	\$237,720,699	100.00%
Tax rate per \$1,000 of assessed valuation	\$30.25		\$31.25	

Note 6 – Receivables

Receivables at June 30, 2014 consisted of taxes, accounts (billings for user charged services and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of receivables reported on the statement of net position follows:

Governmental activities:

Taxes	\$5,405,862
Accounts	76,430
Interest	205
Intergovernmental	89,968
Total	\$5,572,465

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

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Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$462,953	\$0	\$0	\$462,953
Capital Assets, being depreciated:				
Land Improvements	2,566,914	13,610	0	2,580,524
Buildings and Improvements	51,532,970	838,019	0	52,370,989
Equipment	2,263,209	11,333	36,207	2,238,335
Infrastructure	1,543,302	178,916	119,150	1,603,068
Totals at Historical Cost	<u>58,369,348</u>	<u>1,041,878</u>	<u>155,357</u>	<u>59,255,869</u>
Less Accumulated Depreciation:				
Land Improvements	1,141,195	118,316	0	1,259,511
Buildings and Improvements	12,396,551	1,442,651	0	13,839,202
Equipment	1,249,933	131,916	0	1,381,849
Infrastructure	1,154,147	93,089	99,137	1,148,099
Total Accumulated Depreciation	<u>15,941,826</u>	<u>1,785,972</u>	<u>99,137</u>	<u>17,628,661</u>
Governmental Activities Capital Assets, Net	<u>\$42,427,522</u>	<u>(\$744,094)</u>	<u>\$56,220</u>	<u>\$41,627,208</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,578,374
Special	2,658
Support Services:	
Instructional Staff	10,117
School Administration	790
Fiscal	10,308
Operations and Maintenance	15,602
Pupil Transportation	96,269
Operation of Non-Instructional Services	17,626
Extracurricular Activities	54,228
Total Depreciation Expense	<u>\$1,785,972</u>

Note 8 - Capitalized Leases - Lessee Disclosure

During the fiscal year, the District entered into capitalized leases for computers and equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as regular function expenditures on the budgetary statements.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	
2015	\$403,675
2016	253,735
2017	<u>143,952</u>
Total minimum lease payments	801,362
Less amount representing interest	<u>(56,259)</u>
Total	<u><u>\$745,103</u></u>

Note 9 - Long-Term Obligations

During the fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	Restated Balance Outstanding June 30, 2013	Additions	Reductions	Balance Outstanding June 30, 2014	Amounts Due in One Year
General obligation bonds:					
2009 Qualified School Construction Bonds	\$390,000	\$0	(\$30,000)	\$360,000	\$30,000
2011 Current Interest Bonds	6,590,000	0	(405,000)	6,185,000	410,000
2011 Capital Appreciation Bonds	274,995	0	0	274,995	0
2011 Accretion of Interest	91,494	58,972	0	150,466	0
2011 Refunding - Premium	450,903	0	(28,181)	422,722	0
2013 HB264 #1	750,000	0	(45,000)	705,000	45,000
2013 HB264 Premium	29,013	0	(2,072)	26,941	0
Subtotal	<u>8,576,405</u>	<u>58,972</u>	<u>(510,253)</u>	<u>8,125,124</u>	<u>485,000</u>
Capital lease	<u>724,372</u>	<u>443,120</u>	<u>(422,389)</u>	<u>745,103</u>	<u>369,816</u>
Compensated absences	<u>846,902</u>	<u>139,591</u>	<u>(113,139)</u>	<u>873,354</u>	<u>153,685</u>
Total governmental activities	<u><u>\$10,147,679</u></u>	<u><u>\$641,683</u></u>	<u><u>(\$1,045,781)</u></u>	<u><u>\$9,743,581</u></u>	<u><u>\$1,008,501</u></u>

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

Capital Lease Obligations: Capital lease obligations are paid from the general fund (See Note 8).

2013 HB264 Bonds: The District issued \$796,564 in energy conservations bonds on August 8, 2012 for energy conservation throughout the district. The interest rate on these bonds ranges from 2.00% to 4.00% and will mature on June 1, 2027. Principal and interest are paid from the general fund.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Qualified School Construction Bonds: The Qualified School Construction Bonds were issued on November 6, 2009 and bear an interest rate of 1.85%. The bonds mature on September 15, 2024. Principal and interest are paid from the general fund.

2011 Refunding Bonds: In June 2011, the District advance refunded \$7,064,995 in school improvement bonds that were originally for the purpose of new construction, improvements, renovations, and additions to school facilities, including the construction of a new high school, and providing equipment, furnishings and site improvements. The \$507,265 premium on the issuance of these refunding bonds will be amortized over the remaining life of the debt, which has a final maturity date of December 1, 2028. The debt will be retired from the debt service fund.

The refunding bonds are not subject to optional redemption prior to maturity. Of the \$7,064,995 issued, \$6,790,000 represents current interest bonds and \$274,995 are capital appreciation bonds. The current interest bonds mature at varying amounts through December 1, 2028. The capital appreciation bonds will mature in fiscal years 2019 and 2020.

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$485,000	\$243,459	\$728,459	\$0	\$0	\$0
2016	495,000	233,704	728,704	0	0	0
2017	510,000	223,210	733,210	0	0	0
2018	515,000	211,381	726,381	0	0	0
2019	80,000	22,662	102,662	146,970	479,255	626,225
2020-2024	2,360,000	655,585	3,015,585	128,025	503,201	631,226
2025-2029	2,805,000	268,500	3,073,500	0	0	0
Total	<u>\$7,250,000</u>	<u>\$1,858,501</u>	<u>\$9,108,501</u>	<u>\$274,995</u>	<u>\$982,456</u>	<u>\$1,257,451</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Note 10 - Risk Management

Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2014, the district contracted with Arthur J Gallagher & Co., through the Southwestern Ohio Educational Purchasing Council for property, general liability and auto insurance.

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

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

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

Note 11 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$345,768, \$331,464, and \$306,792, respectively; contributions equaled the required contributions for each year.

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 is a statewide retirement

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$988,272, \$1,024,344, and \$999,720, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 12- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%. District contributions for the years ended June 30, 2014, 2013 and 2012 were \$20,059, \$17,520, and \$16,654, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$3,458, \$3,788, and \$31,337, respectively, which equaled the required contributions each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$70,591, \$73,167, and \$71,409, 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 13 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

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

Note 14 - Statutory Reserves

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014

During the fiscal year ended June 30, 2014, the reserve activity was as follows:

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2013	\$0
Current Year Set Aside Requirements	323,157
Qualified Disbursements	(1,041,878)
Current Year Offsets	0
Set Aside Reserve Balance as of June 30, 2014	<u>(\$718,721)</u>
Restricted Cash as of June 30, 2014	<u>\$0</u>

During fiscal year 2013, the District issued \$796,564 in capital related debt. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$796,564 at June 30, 2014.

Note 15 – Fund Balances

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Restricted for:				
Other Grants	\$0	\$0	\$39	\$39
Classroom Facilities Maintenance	0	0	133,100	133,100
Student Activity	0	0	85,054	85,054
Vocational Education	0	0	2,483	2,483
Idea Preschool Grant	0	0	410	410
Debt Service	0	1,010,908	0	1,010,908
Total Restricted	<u>0</u>	<u>1,010,908</u>	<u>221,086</u>	<u>1,231,994</u>
Assigned to:				
Permanent Improvement	0	0	138,335	138,335
Budgetary Resource	203,280	0	0	203,280
Public School	25,430	0	0	25,430
Encumbrances	230,020	0	0	230,020
Total Assigned	<u>458,730</u>	<u>0</u>	<u>138,335</u>	<u>597,065</u>
Unassigned (Deficit)	<u>1,270,414</u>	<u>0</u>	<u>(80,747)</u>	<u>1,189,667</u>
Total Fund Balance	<u>\$1,729,144</u>	<u>1,010,908</u>	<u>\$278,674</u>	<u>\$3,018,726</u>

Clinton Massie Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$4,504,667	\$4,587,697	\$4,587,698	\$1
Tuition and Fees	1,334,581	1,359,180	1,359,180	0
Investment Earnings	15,498	15,784	15,784	0
Intergovernmental	9,329,196	9,501,153	9,501,154	1
Charges for Services	13,256	13,500	13,500	0
Other Revenues	129,697	132,088	132,088	0
Total Revenues	15,326,895	15,609,402	15,609,404	2
Expenditures:				
Current:				
Instruction:				
Regular	7,466,229	7,564,817	7,601,977	(37,160)
Special	1,432,841	1,451,761	1,458,892	(7,131)
Other	1,021,704	1,035,195	1,040,280	(5,085)
Support Services:				
Pupil	942,278	954,720	959,410	(4,690)
Instructional Staff	433,654	439,381	441,539	(2,158)
General Administration	40,099	40,628	40,828	(200)
School Administration	1,059,758	1,073,751	1,079,026	(5,275)
Fiscal	422,963	428,548	430,653	(2,105)
Operations and Maintenance	1,509,507	1,529,439	1,536,952	(7,513)
Pupil Transportation	1,113,968	1,128,678	1,134,222	(5,544)
Extracurricular Activities	355,953	360,653	362,425	(1,772)
Operation of Non-Instructional Services	3,895	3,947	3,966	(19)
Capital Outlay	10,011	10,143	10,193	(50)
Debt Service:				
Principal Retirement	75,000	75,000	75,000	0
Interest and Fiscal Charges	18,788	18,788	18,788	0
Total Expenditures	15,906,648	16,115,449	16,194,151	(78,702)
Excess of Revenues Over (Under) Expenditures	(579,753)	(506,047)	(584,747)	(78,700)
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	1,473	1,500	1,500	0
Transfers In	781	795	795	0
Transfers (Out)	(126,568)	(128,239)	(128,869)	(630)
Total Other Financing Sources (Uses)	(124,314)	(125,944)	(126,574)	(630)
Net Change in Fund Balance	(704,067)	(631,991)	(711,321)	(79,330)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	3,247,532	3,247,532	3,247,532	0
Fund Balance - End of Year	\$2,543,465	\$2,615,541	\$2,536,211	(\$79,330)

See accompanying notes to the required supplementary information.

Clinton-Massie Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2014

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2014.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) 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 as follows:

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 for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

Clinton-Massie Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2014

5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
	General
GAAP Basis	(\$444,975)
Revenue Accruals	(92,927)
Expenditure Accruals	542,170
Issuance of Debt	(443,120)
Transfers In	795
Transfers (Out)	4,891
Encumbrances	(281,322)
Funds Budgeted Elsewhere	3,167
Budget Basis	(\$711,321)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, underground storage tank fund, and the public school support fund.

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SUPPLEMENTARY DATA

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(D)(E) School Breakfast Program	10.553	2014	\$ 36,540	\$ 36,540
(C)(E) National School Lunch Program-Food Donation	10.555	2014	42,592	42,592
(D)(E) National School Lunch Program	10.555	2014	204,288	204,288
Total National School Lunch Program			246,880	246,880
Total U.S. Department of Agriculture and Child Nutrition Cluster			283,420	283,420
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2013	18,911	18,918
Title I Grants to Local Educational Agencies	84.010	2014	159,872	159,986
Total Title I Grants to Local Educational Agencies			178,783	178,904
<i>Special Education Cluster</i>				
(F) Special Education_Grants to States	84.027	2013	36,533	36,749
(F) Special Education_Grants to States	84.027	2014	273,110	266,106
Total Special Education Grants to States			309,643	302,855
(F) Special Education_Preschool Grants	84.173	2013	415	415
(F) Special Education_Preschool Grants	84.173	2014	2,869	2,869
Total Special Education_Preschool Grants			3,284	3,284
<i>Total Special Education Cluster</i>			312,927	306,139
Improving Teacher Quality State Grants	84.367	2013	6,479	6,479
Improving Teacher Quality State Grants	84.367	2014	47,687	47,687
Total Improving Teacher Quality State Grants			54,166	54,166
Total U.S. Department of Education			545,876	539,209
Total Federal Financial Assistance			\$ 829,296	\$ 822,629

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass through numbers for fiscal year 2014.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of "Child Nutrition Cluster" in determining major programs.
- (F) Included as part of "Special Education Cluster" in determining major programs.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton-Massie Local School District, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Clinton-Massie Local School District's basic financial statements and have issued our report thereon dated December 15, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Clinton-Massie Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Clinton-Massie Local School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Clinton-Massie Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education
Clinton-Massie Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Clinton-Massie Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Clinton-Massie Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Clinton-Massie Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Julian & Grube, Inc.
December 15, 2014



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

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

To the Board of Education:

Report on Compliance for The Major Federal Program

We have audited the Clinton-Massie Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Clinton-Massie Local School District's major federal program for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Clinton-Massie Local School District's major federal program.

Management's Responsibility

The Clinton-Massie Local School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Clinton-Massie Local School District's compliance for the Clinton-Massie Local School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clinton-Massie Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Clinton-Massie Local School District's major program. However, our audit does not provide a legal determination of the Clinton-Massie Local School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Clinton-Massie Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2014.

Board of Education
Clinton-Massie Local School District

Report on Internal Control Over Compliance

The Clinton-Massie Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Clinton-Massie Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Clinton-Massie Local School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 15, 2014

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Cluster: CFDA #84.027 Special Education Grants to States; and CFDA #84.173 Special Education Preschool Grants
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CLINTON MASSIE LOCAL SCHOOL DISTRICT

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 24, 2015**