



Mary Taylor, CPA  
Auditor of State



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

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clinton-Massie Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clinton-Massie Local School District, Clinton County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

May 30, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The management's discussion and analysis of the Clinton-Massie Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$183,217 which represents a 2.21% increase from 2005.
- General revenues accounted for \$14,519,358 in revenue or 91.23% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$1,396,135 or 8.77% of total revenues of \$15,915,493.
- The District had \$15,732,276 in expenses related to governmental activities; only \$1,396,135 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,519,358 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$14,700,567 in revenues and other financing sources and \$14,821,103 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance decreased \$120,536 from \$2,971,104 to \$2,850,568.
- The District's other major governmental fund is the debt service fund. The debt service fund had \$8,224,952 in revenues and other financing sources and \$7,786,646 in expenditures. During fiscal year 2006, the debt service fund's fund balance increased \$438,306 from \$1,876,023 to \$2,314,329.

**Using the Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

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

***Reporting the District's Fiduciary Responsibilities***

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-46 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2006 and 2005.

	<b>Net Assets</b>	
	Governmental Activities 2006	Restated Governmental Activities 2005
<b><u>Assets</u></b>		
Current and other assets	\$ 12,161,205	\$ 11,799,692
Capital assets	<u>21,294,682</u>	<u>22,057,912</u>
Total assets	<u>33,455,887</u>	<u>33,857,604</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,472,609	6,479,346
Long-term liabilities	<u>18,516,806</u>	<u>19,095,003</u>
Total liabilities	<u>24,989,415</u>	<u>25,574,349</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	3,297,845	3,397,707
Restricted	2,771,313	2,332,380
Unrestricted	<u>2,397,314</u>	<u>2,553,168</u>
Total net assets	<u>\$ 8,466,472</u>	<u>\$ 8,283,255</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$8,466,472.

At year-end, capital assets represented 63.65% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$3,297,845. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

A portion of the District's net assets, \$2,771,313, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,397,314 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental activities net assets of the District increased \$183,217 between fiscal years 2006 and 2005.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2006 and 2005.

**Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 679,567	\$ 631,396
Operating grants and contributions	696,600	723,334
Capital grants and contributions	19,968	-
General revenues:		
Property taxes	5,166,806	4,702,042
Grants and entitlements	9,068,075	8,592,251
Investment earnings	258,125	158,354
Miscellaneous	26,352	67,396
Total revenues	\$ 15,915,493	\$ 14,874,773

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<b>Change in Net Assets</b>	
	Governmental	Restated
	Activities	Governmental
	<u>2006</u>	<u>2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 6,502,552	\$ 6,990,760
Special	880,230	1,240,868
Vocational	-	381
Other	930,243	380,128
Support services:		
Pupil	848,858	763,298
Instructional staff	1,162,692	985,404
Board of education	13,929	15,302
Administration	978,027	969,178
Fiscal	403,356	392,244
Business	29,369	35,879
Operations and maintenance	1,300,174	1,389,194
Pupil transportation	891,740	824,652
Central	6,020	5,298
Operations of non-instructional services	10,000	6,375
Food service operations	526,480	562,104
Extracurricular activities	545,724	623,368
Interest and fiscal charges	<u>702,882</u>	<u>743,730</u>
Total expenses	<u>15,732,276</u>	<u>15,928,163</u>
Change in net assets	183,217	(1,053,390)
Net assets at beginning of year, restated	<u>8,283,255</u>	<u>9,336,645</u>
Net assets at end of year	<u>\$ 8,466,472</u>	<u>\$ 8,283,255</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$183,217. Total governmental expenses of \$15,732,276 were offset by program revenues of \$1,396,135 and general revenues of \$14,519,358. Program revenues supported 8.82% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 89.44% of total governmental revenue. Real estate property is reappraised every six years.

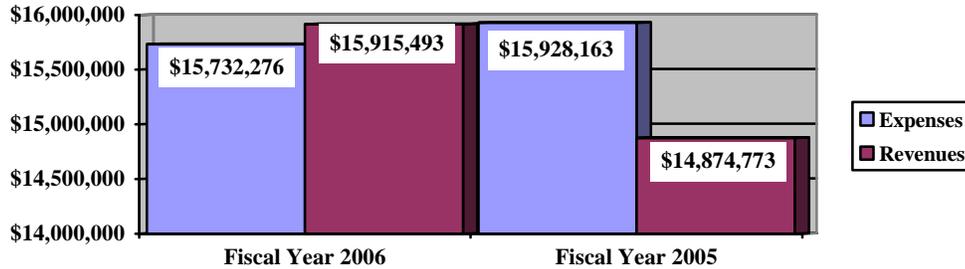
The increase in net assets of \$183,217 from the prior year can be attributed to revenues increasing by \$1,040,720 and expenditure items not increasing in the same proportion. The largest increase in revenues came from additional tax money and grant support.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

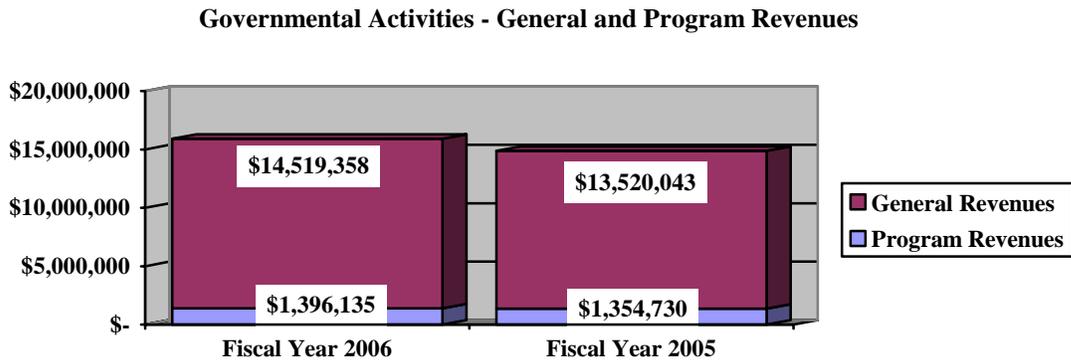
	Total Cost of Services 2006	Net Cost of Services 2006	Restated Total Cost of Services 2005	Restated Net Cost of Services 2005
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,502,552	\$ 6,273,111	\$ 6,990,760	\$ 6,739,382
Special	880,230	876,388	1,240,868	1,069,132
Vocational	-	-	381	381
Other	930,243	813,405	380,128	380,128
Support services:				
Pupil	848,858	809,449	763,298	706,141
Instructional staff	1,162,692	892,723	985,404	747,210
Board of education	13,929	13,929	15,302	15,302
Administration	978,027	927,130	969,178	944,879
Fiscal	403,356	403,133	392,244	392,112
Business	29,369	29,369	35,879	35,879
Operations and maintenance	1,300,174	1,291,709	1,389,194	1,375,700
Pupil transportation	891,740	856,640	824,652	824,652
Central	6,020	139	5,298	(133)
Operations of non-instructional services	10,000	10,000	6,375	6,375
Food service operations	526,480	24,997	562,104	103,413
Extracurricular activities	545,724	411,137	623,368	489,150
Interest and fiscal charges	702,882	702,882	743,730	743,730
<b>Total expenses</b>	<u>\$ 15,732,276</u>	<u>\$ 14,336,141</u>	<u>\$ 15,928,163</u>	<u>\$ 14,573,433</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The dependence upon tax and other general revenues for governmental activities is apparent, 95.26% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 91.13%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$5,661,587, which is higher than last year's total of \$5,313,449. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance <u>June 30, 2006</u>	Fund Balance <u>June 30, 2005</u>	Increase <u>(Decrease)</u>
General	\$ 2,850,568	\$ 2,971,104	\$ (120,536)
Debt Service	2,314,329	1,876,023	438,306
Other Governmental	<u>496,690</u>	<u>466,322</u>	<u>30,368</u>
Total	<u>\$ 5,661,587</u>	<u>\$ 5,313,449</u>	<u>\$ 348,138</u>

**General Fund**

The District's general fund's fund balance decreased by \$120,536. The decrease in fund balance can be attributed to expenditures increasing 6.12% and revenue increasing 7.24% but not enough to surpass total expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,524,373	\$ 3,224,715	9.29 %
Tuition	11,139	18,088	(38.42) %
Earnings on investments	252,875	114,246	121.34 %
Intergovernmental	8,879,470	8,414,494	5.53 %
Other revenues	<u>32,710</u>	<u>71,960</u>	(54.54) %
Total	<u>\$ 12,700,567</u>	<u>\$11,843,503</u>	7.24 %
<b><u>Expenditures</u></b>			
Instruction	\$ 7,147,345	\$ 6,551,682	9.09 %
Support services	5,166,447	4,878,283	5.91 %
Operation of non-instructional services	10,000	6,375	56.86 %
Extracurricular activities	377,286	434,867	(13.24) %
Debt service	<u>2,092,837</u>	<u>2,069,303</u>	1.14 %
Total	<u>\$ 14,793,915</u>	<u>\$13,940,510</u>	6.12 %

Tuition revenues decreased 38.42% from 2005 due to a decrease in the number of out of District students enrolling in the District. Earnings on investment revenues increased by 121.34% due to higher interest rates in fiscal year 2006 when compared to fiscal year 2005. Operation of non-instruction expenditures increased by 56.86% but this increase is actually small in dollar amount and therefore immaterial. All other revenues and expenditures remained comparable to 2005.

***Debt Service Fund***

The District's debt service fund's fund balance increased by \$438,306. The debt service fund had \$8,224,952 in revenues and other financing sources and \$7,786,646 in expenditures. The increase in fund balance can be attributed to the sale of notes.

***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 year 2006, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$14,532,525, which was lower than the original budgeted revenues estimate of \$14,686,185. Actual revenues and other financing sources for fiscal year 2006 were \$14,542,118, which is \$9,593 higher than final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,065,317 were decreased to \$14,950,365 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$14,950,361, which was \$4 lower than final budgeted amounts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2006, the District had \$21,294,682 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2006</u>	<u>Restated 2005</u>
Land	\$ 119,905	\$ 119,905
Land improvements	1,500,846	1,595,576
Building and improvements	18,793,867	19,507,486
Equipment	472,638	400,431
Vehicles	<u>407,426</u>	<u>434,514</u>
<b>Total</b>	<b><u>\$ 21,294,682</u></b>	<b><u>\$ 22,057,912</u></b>

Total additions to capital assets for 2006 were \$203,753. The District recorded \$966,983 in depreciation expense for fiscal year 2006.

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

***Debt Administration***

At June 30, 2006, the District had \$17,996,837 in general obligation bonds, notes and capital lease obligations outstanding. Of this total, \$8,906,883 is due within one year and \$9,089,954 is due within greater than one year. The following table summarizes the bonds outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental Activities	Governmental Activities
	<u>2006</u>	<u>2005</u>
Bonds	\$ 9,395,000	\$ 10,030,000
Notes	8,539,000	8,539,000
Capital leases	<u>62,837</u>	<u>91,205</u>
<b>Total</b>	<b><u>\$ 17,996,837</u></b>	<b><u>\$ 18,660,205</u></b>

See Notes 9 and 10 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Current Financial Related Activities**

Management believes that the District is currently standing on solid financial ground and will be for at least the near future. As of the end of fiscal year 2006, the District maintained approximately 2.5 months of unencumbered operating reserves. This financial health has been a consistent strength over the past decade. The District has not had an operating levy on the ballot in over 17 years, which is very unusual in the current school funding climate in Ohio. Student enrollment is also increasing at a steady rate, which increases State funding. However, the District is not without financial challenges.

The District is approximately 67% funded by the State, which makes them susceptible to changes in school funding at the State level. State funding has not increased by as much per pupil over the past two State biennial budgets as it had previously. With the District's reliance on State funding, this slowing down in funding has and will continue to present challenges.

The District added a new High School facility beginning in fiscal year 2005 without closing any other buildings or increasing operating revenues. These changes, coupled with the slower increase in State funding, resulted in the District's expenses being higher than its revenues in fiscal year 2005 and fiscal year 2006 for the first time since fiscal year 2001. This trend of expenses being greater than revenues is expected to continue in the coming years.

In addition to the new High School building, the District is working with the Ohio School Facilities Commission (OSFC) in planning for the Classroom Facilities Assistance Program (CFAP). It is anticipated that the CFAP project will provide the District with a renovated Middle School and a new Elementary School facility. Again, these changes will come with increased expenses.

Academically, the District was rated as Excellent by ODE for the 2005-2006 school year. This happened in spite of having one of the lowest per pupil expenditures in the State. The bottom line is that management believes that the District is making very 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, Shaun Bevan, Treasurer, 2556 Lebanon Road, Clarksville, Ohio 45113.

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

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 6,526,504
Receivables:	
Taxes . . . . .	5,457,224
Accounts . . . . .	7,206
Intergovernmental . . . . .	70,466
Accrued interest . . . . .	68,281
Prepayments . . . . .	16,849
Materials and supplies inventory. . . . .	14,675
Capital assets:	
Land . . . . .	119,905
Depreciable capital assets, net. . . . .	21,174,777
Total capital assets, net . . . . .	21,294,682
 Total assets. . . . .	 33,455,887
 <b>Liabilities:</b>	
Accounts payable. . . . .	69,288
Accrued wages and benefits . . . . .	1,077,609
Pension obligation payable. . . . .	327,406
Intergovernmental payable . . . . .	46,145
Deferred revenue . . . . .	4,735,396
Accrued interest payable . . . . .	216,765
Long-term liabilities:	
Due within one year. . . . .	9,026,823
Due within more than one year . . . . .	9,489,983
Total liabilities . . . . .	24,989,415
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	3,297,845
Restricted for:	
Capital projects . . . . .	379,159
Debt service. . . . .	2,148,667
Classroom facilities maintenance . . . . .	70,198
State funded programs . . . . .	2,356
Federally funded programs . . . . .	2,969
Student activities . . . . .	22,185
Set-asides . . . . .	134,779
Other purposes . . . . .	11,000
Unrestricted . . . . .	2,397,314
 Total net assets . . . . .	 \$ 8,466,472

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities
<b>Governmental activities:</b>						
Instruction:						
Regular . . . . .	\$ 6,502,552	\$ 177,746	\$ 75,978	\$ 19,968	\$	(6,228,860)
Special . . . . .	880,230	11	3,831	-	-	(876,388)
Other . . . . .	930,243	-	116,838	-	-	(813,405)
Support services:						
Pupil . . . . .	848,858	-	38,946	-	-	(809,912)
Instructional staff . . . . .	1,162,692	-	269,969	-	-	(892,723)
Board of education . . . . .	13,929	-	-	-	-	(13,929)
Administration . . . . .	978,027	-	50,897	-	-	(927,130)
Fiscal . . . . .	403,356	-	-	-	-	(403,356)
Business . . . . .	29,369	-	-	-	-	(29,369)
Operations and maintenance . . . . .	1,300,174	-	-	-	-	(1,300,174)
Pupil transportation . . . . .	891,740	-	-	-	-	(891,740)
Central . . . . .	6,020	-	5,881	-	-	(139)
Operation of non-instructional services . . . . .	10,000	-	-	-	-	(10,000)
Food service operations . . . . .	526,480	367,223	134,260	-	-	(24,997)
Extracurricular activities . . . . .	545,724	134,587	-	-	-	(411,137)
Interest and fiscal charges . . . . .	702,882	-	-	-	-	(702,882)
<b>Totals . . . . .</b>	<b>\$ 15,732,276</b>	<b>\$ 679,567</b>	<b>\$ 696,600</b>	<b>\$ 19,968</b>		<b>(14,336,141)</b>
<b>General Revenues:</b>						
Property taxes levied for:						
General purposes . . . . .						3,581,601
Debt service . . . . .						1,511,809
Special revenue . . . . .						73,396
Grants and entitlements not restricted						
to specific programs . . . . .						9,068,075
Investment earnings . . . . .						258,125
Miscellaneous . . . . .						26,352
Total general revenues . . . . .						14,519,358
Change in net assets . . . . .						183,217
<b>Net assets at beginning of year (restated) . . .</b>						8,283,255
<b>Net assets at end of year . . . . .</b>						<b>\$ 8,466,472</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 3,664,779	\$ 2,188,632	\$ 538,314	\$ 6,391,725
Receivables:				
Taxes . . . . .	3,749,784	1,628,169	79,271	5,457,224
Accounts . . . . .	3,712	-	3,494	7,206
Intergovernmental . . . . .	-	-	70,466	70,466
Accrued interest . . . . .	67,709	-	572	68,281
Interfund loans . . . . .	3,407	-	-	3,407
Prepayments . . . . .	16,849	-	-	16,849
Materials and supplies inventory . . . . .	-	-	14,675	14,675
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	134,779	-	-	134,779
Total assets . . . . .	<u>\$ 7,641,019</u>	<u>\$ 3,816,801</u>	<u>\$ 706,792</u>	<u>\$ 12,164,612</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 61,836	\$ -	\$ 7,452	\$ 69,288
Accrued wages and benefits . . . . .	981,372	-	96,237	1,077,609
Compensated absences payable . . . . .	24,179	-	-	24,179
Pension obligation payable . . . . .	300,283	-	27,123	327,406
Intergovernmental payable . . . . .	44,062	-	2,083	46,145
Interfund loan payable . . . . .	-	-	3,407	3,407
Deferred revenue . . . . .	3,378,719	1,502,472	73,800	4,954,991
Total liabilities . . . . .	<u>4,790,451</u>	<u>1,502,472</u>	<u>210,102</u>	<u>6,503,025</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	137,461	-	12,252	149,713
Reserved for budget stabilization . . . . .	43,584	-	-	43,584
Reserved for capital acquisition . . . . .	91,195	-	-	91,195
Reserved for materials and supplies inventory . . . . .	-	-	14,675	14,675
Reserved for property tax unavailable for appropriation . . . . .	378,173	125,697	6,043	509,913
Reserved for debt service . . . . .	-	2,188,632	-	2,188,632
Reserved for prepayments . . . . .	16,849	-	-	16,849
Unreserved, undesignated, reported in:				
General fund . . . . .	2,183,306	-	-	2,183,306
Special revenue funds . . . . .	-	-	85,133	85,133
Capital projects funds . . . . .	-	-	378,587	378,587
Total fund balances . . . . .	<u>2,850,568</u>	<u>2,314,329</u>	<u>496,690</u>	<u>5,661,587</u>
Total liabilities and fund balances . . . . .	<u>\$ 7,641,019</u>	<u>\$ 3,816,801</u>	<u>\$ 706,792</u>	<u>\$ 12,164,612</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

<b>Total governmental fund balances</b>		\$	5,661,587
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			21,294,682
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	211,915	
Interest revenue		7,680	
Total			219,595
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(216,765)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(9,395,000)	
Compensated absences		(495,790)	
Bond anticipation notes payable		(6,539,000)	
Certificate of participation notes payable		(2,000,000)	
Capital lease obligation		(62,837)	
Total			(18,492,627)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>8,466,472</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,524,373	\$ 1,506,035	\$ 73,162	\$ 5,103,570
Tuition . . . . .	11,139	-	-	11,139
Earnings on investments . . . . .	252,875	-	12,031	264,906
Charges for services . . . . .	-	-	338,671	338,671
Extracurricular . . . . .	-	-	177,584	177,584
Classroom materials and fees . . . . .	6,397	-	91,880	98,277
Other local revenues . . . . .	26,313	-	53,935	80,248
Other revenue . . . . .	-	-	4,709	4,709
Intergovernmental - State . . . . .	8,879,470	179,917	52,106	9,111,493
Intergovernmental - Federal . . . . .	-	-	671,724	671,724
Total revenue . . . . .	<u>12,700,567</u>	<u>1,685,952</u>	<u>1,475,802</u>	<u>15,862,321</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,478,514	-	253,240	5,731,754
Special . . . . .	856,777	-	3,887	860,664
Other . . . . .	812,054	-	118,189	930,243
Support Services:				
Pupil . . . . .	783,385	-	38,968	822,353
Instructional staff . . . . .	887,914	-	270,007	1,157,921
Board of education . . . . .	13,929	-	-	13,929
Administration . . . . .	921,056	-	51,427	972,483
Fiscal . . . . .	351,914	31,472	1,534	384,920
Business . . . . .	34,273	-	-	34,273
Operations and maintenance . . . . .	1,292,549	-	58,153	1,350,702
Pupil transportation . . . . .	881,423	-	-	881,423
Central . . . . .	4	-	6,016	6,020
Operation of non-instructional services . . . . .	10,000	-	-	10,000
Extracurricular activities . . . . .	377,286	-	133,828	511,114
Facilities acquisition and construction . . . . .	-	-	24,471	24,471
Food service operations . . . . .	-	-	512,902	512,902
Debt service:				
Principal retirement . . . . .	2,028,368	7,174,000	-	9,202,368
Interest and fiscal charges . . . . .	64,469	581,174	-	645,643
Total expenditures . . . . .	<u>14,793,915</u>	<u>7,786,646</u>	<u>1,472,622</u>	<u>24,053,183</u>
Excess of revenues over (under) expenditures.	<u>(2,093,348)</u>	<u>(6,100,694)</u>	<u>3,180</u>	<u>(8,190,862)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	27,188	27,188
Transfers (out) . . . . .	(27,188)	-	-	(27,188)
Sale of notes . . . . .	2,000,000	6,539,000	-	8,539,000
Total other financing sources (uses) . . . . .	<u>1,972,812</u>	<u>6,539,000</u>	<u>27,188</u>	<u>8,539,000</u>
Net change in fund balances . . . . .	(120,536)	438,306	30,368	348,138
<b>Fund balances at beginning of year . . . . .</b>	<u>2,971,104</u>	<u>1,876,023</u>	<u>466,322</u>	<u>5,313,449</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,850,568</u>	<u>\$ 2,314,329</u>	<u>\$ 496,690</u>	<u>\$ 5,661,587</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Net change in fund balances - total governmental funds** \$ 348,138

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

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

Capital asset additions	\$	203,753	
Current year depreciation		(966,983)	
Total			(763,230)

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

Taxes		63,236	
Interest		(6,781)	
Intergovernmental		(3,283)	
Total			53,172

Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 9,202,368

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. Increase in accrued interest payable (57,239)

Proceeds of notes are recorded as revenue in the governmental funds, however, the proceeds increase long-term liabilities on the statement net assets. (8,539,000)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (60,992)

**Change in net assets of governmental activities** \$ 183,217

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,423,994	\$ 3,388,169	\$ 3,389,786	\$ 1,617
Tuition. . . . .	11,257	11,139	11,139	-
Earnings on investments. . . . .	191,950	189,942	197,918	7,976
Classroom materials and fees. . . . .	7,016	6,943	6,943	-
Other local revenues. . . . .	50,106	49,582	49,582	-
Intergovernmental - State . . . . .	8,973,357	8,879,470	8,879,470	-
Total revenue . . . . .	<u>12,657,680</u>	<u>12,525,245</u>	<u>12,534,838</u>	<u>9,593</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,588,598	5,545,954	5,546,250	(296)
Special. . . . .	961,213	953,879	953,879	-
Other . . . . .	775,761	769,842	769,842	-
Support Services:				
Pupil. . . . .	769,226	763,357	763,357	-
Instructional staff . . . . .	887,116	880,347	880,047	300
Board of education . . . . .	14,546	14,435	14,435	-
Administration. . . . .	946,797	939,573	939,573	-
Fiscal . . . . .	360,152	357,404	357,404	-
Business . . . . .	35,606	35,334	35,334	-
Operations and maintenance. . . . .	1,344,967	1,334,705	1,334,705	-
Pupil transportation . . . . .	883,938	877,193	877,193	-
Central. . . . .	8	8	8	-
Operation of non-instructional services . . . . .	10,077	10,000	10,000	-
Extracurricular activities. . . . .	380,256	377,355	377,355	-
Debt service:				
Principal retirement . . . . .	2,000,000	2,000,000	2,000,000	-
Interest and fiscal charges . . . . .	76,073	60,232	60,232	-
Total expenditures . . . . .	<u>15,034,334</u>	<u>14,919,618</u>	<u>14,919,614</u>	<u>4</u>
Excess of revenues under expenditures. . . . .	<u>(2,376,654)</u>	<u>(2,394,373)</u>	<u>(2,384,776)</u>	<u>9,597</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	5,313	5,257	5,257	-
Transfers in . . . . .	153	151	151	-
Transfers (out) . . . . .	(27,550)	(27,340)	(27,340)	-
Advances in. . . . .	1,892	1,872	1,872	-
Advances (out) . . . . .	(3,433)	(3,407)	(3,407)	-
Sale of notes . . . . .	2,021,147	2,000,000	2,000,000	-
Total other financing sources (uses) . . . . .	<u>1,997,522</u>	<u>1,976,533</u>	<u>1,976,533</u>	<u>-</u>
Net change in fund balance . . . . .	(379,132)	(417,840)	(408,243)	9,597
<b>Fund balance at beginning of year . . . . .</b>	<b>3,580,578</b>	<b>3,580,578</b>	<b>3,580,578</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>435,697</b>	<b>435,697</b>	<b>435,697</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 3,637,143</u></b>	<b><u>\$ 3,598,435</u></b>	<b><u>\$ 3,608,032</u></b>	<b><u>\$ 9,597</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 54,263	\$ 15,662
Receivables:		
Accrued interest . . . . .	219	-
Total assets . . . . .	54,482	\$ 15,662
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 15,662
Total liabilities . . . . .	-	\$ 15,662
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	54,482	
Total net assets . . . . .	\$ 54,482	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 1,888
Gifts and contributions. . . . .	2,653
	4,541
Total additions. . . . .	4,541
<b>Deductions:</b>	
Scholarships awarded . . . . .	2,401
	2,140
Change in net assets . . . . .	2,140
<b>Net assets at beginning of year . . . . .</b>	<b>52,342</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 54,482</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's one instructional facility (high school, middle school and elementary school) and one support facility (bus garage) staffed by 96 non-certified and 125 certified teaching personnel and 12 administrative employees to provide service to 1,744 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. 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, preschool 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 government 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. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

*JOINTLY GOVERNED ORGANIZATIONS*

The Clinton County Consortium

The Clinton County Consortium (the "Consortium") is made up of Clinton-Massie Schools, East Clinton Schools, and the Clinton-Fayette-Highland Educational Service District and CoreSource of Columbus have entered into an agreement to establish an employee welfare benefit plan which sets forth the procedure by which eligible employees of these participating employers can secure dental and life insurance. The monthly premiums are jointly paid by the employers and employees according to local, negotiated agreements and board policies. The district superintendents govern the Consortium and CoreSource administers the payment of claims. Employers participating in this plan are political subdivisions of the State of Ohio. The plan qualifies as a governmental plan as defined by Section 3(32) of the Employee Retirement Income Security Act of 1974 (ERISA) and is therefore exempt from ERISA requirements. Financial information for the participating boards of education for the year ended June 30, 2006, are available in each district.

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

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

Hopewell Special Education Regional Resource Center

The Hopewell Special Education Regional Resource Center ("Hopewell") is a jointly governed organization created by the Ohio Department of Education at the request of the participating school district to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of Superintendents from the seventeen school districts plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents as well as three parents of handicapped children in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and Federal and State grants.

Southwest Ohio Computer Association (SWOCA)

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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; and (b) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUND*

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

*FIDUCIARY FUNDS*

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

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

**D. Basis of Accounting**

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

*Revenues - Exchange and Non-exchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. 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 at the level of control selected by Board. The legal level of control has been established by Board at the fund, function and object level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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 reflects the amounts on the original and final amended certificate of estimated resources issued during the fiscal year 2006.

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 original and final appropriation amounts passed by the Board during fiscal year 2006.

**F. Cash and Investments**

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

During fiscal year 2006, investments were limited to a repurchase agreement and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

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 2006 amounted to \$252,875, which includes \$90,722 assigned from other District funds.

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

**G. Inventory**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements 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 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:

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance 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. A liability for severance is accrued using the termination method; i.e., the liability for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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
 <u>SICK LEAVE</u>			
How earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)
Maximum accumulation	200 days	220-248 days depending on contract	200 days
Vested	As earned	As earned	As earned
Termination entitlement	Per contract	Per policy	Per policy

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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 claims and judgments, matured compensated absences, and contractually required pension contributions 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.

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

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

**N. Estimates**

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

**O. Interfund Activity**

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

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**B. Restatement of Net Assets**

The beginning net assets of the governmental activities have been restated due to adjustments made to capital assets. This adjustment had the following effect on net assets as previously reported:

	<u>Governmental Activities</u>
Net assets, June 30, 2005	\$ 8,944,754
Adjustment for capital assets	<u>(661,499)</u>
Restated adjusted net assets, June 30, 2005	<u><u>\$ 8,283,255</u></u>

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 33,016
Management Information Systems	10
Ohio Reads	4
Special Education	5,143
IDEA Preschool Grant	2

The nonmajor governmental funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. 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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

**A. Cash on Hand**

At year-end, the District had \$4,050 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$4,298,989, exclusive of the \$2,045,500 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$4,017,211 of the District's bank balance of \$4,317,211 was exposed to custodial risk as discussed below, while \$300,000 was covered by Federal Deposit Insurance Corporation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds. Deposits covered by this collateral are considered to be exposed to custodial risk because they are not held in the District's name.

**C. Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 2,045,500	\$ 2,045,500
FHLB	247,890	247,890
	<u>\$ 2,293,390</u>	<u>\$ 2,293,390</u>

The weighted average maturity of investments is .05 years.

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

*Credit Risk:* The District's investments were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 2,045,500	89.19
FHLB	247,890	10.81
	<u>\$ 2,293,390</u>	<u>100.00</u>

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 4,298,989
Investments	2,293,390
Cash on hand	<u>4,050</u>
Total	<u>\$ 6,596,429</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 6,526,504
Private-purpose trust funds	54,263
Agency funds	<u>15,662</u>
Total	<u>\$ 6,596,429</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 27,188

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

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

- B.** Interfund balances at June 30, 2006 as reported on the fund statements, consist of the following individual interfund loan receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 3,407

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the Statement of Net Assets.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Clinton, Warren and Greene Counties. 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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date 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, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$378,173 in the general fund, \$125,697 in the debt service fund and \$6,043 in the classroom facilities maintenance fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$241,998 in the general fund, \$107,461 in the debt service fund and \$5,319 in the classroom facilities maintenance fund.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 162,733,960	93.16	\$ 178,556,490	94.38
Public utility personal	10,185,140	5.83	9,145,860	4.83
Tangible personal property	<u>1,757,351</u>	<u>1.01</u>	<u>1,492,689</u>	<u>0.79</u>
Total	<u>\$ 174,676,451</u>	<u>100.00</u>	<u>\$ 189,195,039</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 39.81		\$ 39.61	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 5,457,224
Accounts	7,206
Intergovernmental	70,466
Accrued interest	<u>68,281</u>
Total	<u>\$ 5,603,177</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the government activities have been restated by \$(661,499) due to adjustments to capital assets in the current year. See Note 3.A. for detail:

	Balance		Restated
	<u>June 30, 2005</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>July 1, 2005</u>
<b>Governmental Activities</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 119,905	\$ -	\$ 119,905
Total capital assets, not being depreciated	<u>119,905</u>	<u>-</u>	<u>119,905</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,975,705	(41,590)	1,934,115
Buildings and improvement	24,373,665	(597,538)	23,776,127
Furniture and equipment	1,598,582	(53,725)	1,544,857
Vehicles	<u>1,189,848</u>	<u>18,950</u>	<u>1,208,798</u>
Total capital assets, being depreciated	<u>29,137,800</u>	<u>(673,903)</u>	<u>28,463,897</u>
<i>Less: accumulated depreciation</i>	<u>(6,538,294)</u>	<u>12,404</u>	<u>(6,525,890)</u>
Governmental activities capital assets, net	<u>\$ 22,719,411</u>	<u>\$ (661,499)</u>	<u>\$ 22,057,912</u>

- B. Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Restated			Balance
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2006</u>
	<u>July 1, 2005</u>			
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 119,905	\$ -	\$ -	\$ 119,905
Total capital assets, not being depreciated	<u>119,905</u>	<u>-</u>	<u>-</u>	<u>119,905</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,934,115	-	-	1,934,115
Buildings and improvements	23,776,127	5,074	-	23,781,201
Equipment	1,544,857	132,929	-	1,677,786
Vehicles	<u>1,208,798</u>	<u>65,750</u>	<u>-</u>	<u>1,274,548</u>
Total capital assets, being depreciated	<u>28,463,897</u>	<u>203,753</u>	<u>-</u>	<u>28,667,650</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(338,539)	(94,730)	-	(433,269)
Buildings and improvements	(4,268,641)	(718,693)	-	(4,987,334)
Equipment	(1,144,426)	(60,722)	-	(1,205,148)
Vehicles	<u>(774,284)</u>	<u>(92,838)</u>	<u>-</u>	<u>(867,122)</u>
Total accumulated depreciation	<u>(6,525,890)</u>	<u>(966,983)</u>	<u>-</u>	<u>(7,492,873)</u>
Governmental activities capital assets, net	<u>\$ 22,057,912</u>	<u>\$ (763,230)</u>	<u>\$ -</u>	<u>\$ 21,294,682</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS - (Continued)**

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

<u>Instruction:</u>	
Regular	\$ 795,670
Special	1,811
<u>Support Services:</u>	
Pupil	2,369
Instructional staff	6,683
Fiscal	13,399
Operations and maintenance	11,281
Pupil transportation	98,693
Extracurricular activities	25,916
Food service operations	<u>11,161</u>
Total depreciation expense	<u>\$ 966,983</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Capital assets consisting of equipment have been capitalized in the amount of \$152,723. This amount represents the present value of the minimum lease payments at the time of acquisition. As of June 30, 2006 accumulated depreciation was \$106,906 resulting in a carrying value of \$45,817. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2006 totaled \$28,368 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	
2007	\$ 32,605
2008	<u>32,605</u>
Total minimum lease payments	65,210
Less amount representing interest	<u>(2,373)</u>
Total	<u>\$ 62,837</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2006</u>	Amounts Due in <u>One Year</u>
General obligation bonds:					
1998 Refunding Bonds	\$ 850,000	\$ -	\$ (260,000)	\$ 590,000	\$ 112,347
2001 High School	9,180,000	-	(375,000)	8,805,000	225,000
Notes:					
Certificate of participation	2,000,000	2,000,000	(2,000,000)	2,000,000	2,000,000
Bond anticipation notes	6,539,000	6,539,000	(6,539,000)	6,539,000	6,539,000
Capital leases	91,205	-	(28,368)	62,837	30,536
Compensated absences	434,798	186,103	(100,932)	519,969	119,940
Total governmental activities	<u>\$ 19,095,003</u>	<u>\$ 8,725,103</u>	<u>\$ (9,303,300)</u>	<u>\$ 18,516,806</u>	<u>\$ 9,026,823</u>

The certificate of participation notes are renewed annually and are paid from the general fund. The notes were used for school improvements. The District expects the state to pay off the debt in the next year.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund (See Note 9).

The certificate of participation and bond anticipation notes are treated as long term because the District replaced the debt subsequent to the balance sheet date, by debt that matures at least one year beyond the balance sheet date.

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

Fiscal <u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 337,347	\$ 558,337	\$ 895,684
2008	338,581	559,422	898,003
2009	340,451	554,027	894,478
2010	339,507	550,701	890,208
2011	345,401	549,921	895,322
2012 - 2016	1,508,713	1,891,054	3,399,767
2017 - 2021	1,790,000	1,327,917	3,117,917
2022 - 2026	2,285,000	823,875	3,108,875
2027 - 2030	<u>2,110,000</u>	<u>206,000</u>	<u>2,316,000</u>
Total	<u>\$ 9,395,000</u>	<u>\$ 7,021,254</u>	<u>\$ 16,416,254</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$9,946,883 (including available funds of \$2,314,329) and an unvoted debt margin of \$189,195.

**NOTE 11 - 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 2006, the district contracted with Ohio School Plan, Inc. for property, general liability and auto insurance.

Professional liability is protected by Ohio School Plan, Inc. with \$1,000,000 each occurrence, \$3,000,000 aggregate limit.

Vehicles are covered by Ohio School Plan, Inc. 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.

During 2006, the District elected to provide employee medical/surgical benefits by anthem PPO through the EPC Insured Benefit Plan and employee dental benefits by CoreSource through the EPC Benefit Plan II, with both plans from the same Dayton based organization.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 12 - PENSION PLANS - (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$211,936, \$256,512, and \$236,832, respectively; 44.86% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$116,858 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 12 - PENSION PLANS - (Continued)**

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$779,002, \$818,583, and \$752,220, respectively; 82.98% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$132,611 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2006 were \$23,261 made by the District and \$13,046 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$59,923 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$96,876 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

	<u>General Fund</u>
Net Change in Fund Balance	
Budget basis	\$ (408,243)
Net adjustment for revenue accruals	165,729
Net adjustment for expenditure accruals	(66,411)
Net adjustment for other sources/uses	(3,721)
Adjustment for encumbrances	<u>192,110</u>
GAAP basis	<u>\$ (120,536)</u>

**NOTE 15 - CONTINGENCIES**

**Grants**

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

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2005	\$ (621,147)	\$ 45,352	\$ 43,584
Current year set-aside requirement	251,348	251,348	-
Qualifying disbursements	<u>(452,034)</u>	<u>(205,505)</u>	<u>-</u>
Total	<u>\$ (821,833)</u>	<u>\$ 91,195</u>	<u>\$ 43,584</u>
Cash balance carried forward to FY 2007	<u>\$ (821,833)</u>	<u>\$ 91,195</u>	<u>\$ 43,584</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve. These extra amounts may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

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**CLINTON-MASSIE LOCAL SCHOOL DISTRICT**  
**CLINTON COUNTY**  
**FEDERAL AWARDS EXPENDITURES SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	None	10.550	\$0	\$41,579	\$0	\$48,122
Nutrition Cluster:						
National School Breakfast Program	05-PU-06	10.553	10,467	0	10,467	0
National School Lunch Program	LL-P4-06	10.555	78,845	0	78,845	0
Total Nutrition Cluster			89,312	0	89,312	0
Total U.S. Department of Agriculture			89,312	41,579	89,312	48,122
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States						
IDEA Part B	6B-SF-05	84.027	44,760	0	44,888	0
IDEA Part B	6B-SF-06		287,239	0	286,611	0
Preschool Disability Grant	PG-S1-05	84.173	5,285	0	5,285	0
Total Special Education Cluster			337,284	0	336,784	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-04/05	84.010	127,959	0	127,959	0
Title V, Innovative Programs	C2-S1-04	84.298	4,815	0	4,815	0
Title IV-SDFSC	DR-S1-04/05	84.186	7,291	0	7,282	0
Title II-D, Technology Fund	TJ-S1-05	84.318	2,223	0	2,223	0
Title II-A, Improving Teacher Quality	TR-S1-03/04	84.367	62,395	0	62,395	0
<i>Passed through the Great Oaks Institute &amp; Career Development</i>						
Carl Perkins	None	84.048	4,709	0	3,485	0
Total U.S. Department of Education			546,676	0	544,943	0
<b>TOTAL FEDERAL ASSISTANCE</b>			<b><u>\$635,988</u></b>	<b><u>\$41,579</u></b>	<b><u>\$634,255</u></b>	<b><u>\$48,122</u></b>

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

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

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE A—SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B—FOOD DISTRIBUTION PROGRAM**

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

**NOTE C—CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton-Massie Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated May 30, 2007, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the District's management dated May 30, 2007, we reported other matters related to noncompliance we deemed immaterial.

Clinton-Massie Local School District  
Clinton County  
Independent Accountants' Report on Internal Control  
over Financial Reporting and on Compliance and Other  
Matters as Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

May 30, 2007



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Clinton-Massie Local School District, Clinton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Clinton-Massie Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

**Mary Taylor, CPA**  
Auditor of State

May 30, 2007

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 ' .505  
JUNE 30, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under ' .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster CFDA : 84.027 and 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING 2006-001**

**Material Noncompliance**

Ohio Rev. Code Section 9.38 provides in part, that any public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

During our testing of classroom materials and fees receipts, and extracurricular activities, we found 19% of the receipts tested were not provided to the Treasurer nor deposited in the bank on a daily basis. Also, the District did not have a policy that allows the district to hold the funds for up to three days for receipts of less than \$1,000. Holding receipts by the Teacher and not depositing them could allow funds not secured by deposit to be subject to thief or remain unaccounted for. We recommend deposits of classroom materials and fees receipts be made within the next business day period. The district also has the option of implementing a policy that would allow the Teacher to hold funds of less than \$1,000 for up to three days before depositing.

**Official's Response**

We received no response to this finding from Officials.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Orc section 9.38 timely depositing.	No	Reissued this year, finding number 2006-001





**Mary Taylor, CPA**  
Auditor of State

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 26, 2007**