

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY  
REGULAR AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

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

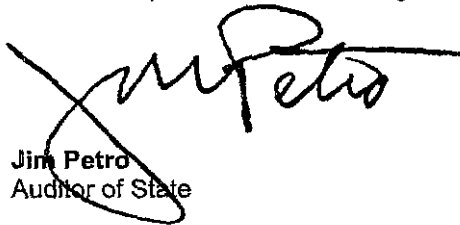
To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Clinton-Massie Local School District, Clinton County, Ohio (the District) as of and for the fiscal year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Clinton-Massie Local School District, Clinton County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2000 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 grants.



Jim Petro  
Auditor of State

February 10, 2000

Clinton<sup>2</sup>-Massie Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits:</b>				
Equity in Pooled Cash and Investments	\$2,504,718	\$244,286	\$542,453	\$365,938
Restricted Pooled Cash and Investments	78,080	0	0	0
<b>Receivables:</b>				
Taxes	2,577,733	0	492,276	0
Intergovernmental	0	1,612	0	0
Accounts	1,899	691	0	0
Accrued Interest	14,077	0	0	0
Inventory	0	0	0	0
Fixed Assets ( Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets &amp; Other Debits</b>	<b>\$5,176,507</b>	<b>\$246,589</b>	<b>\$1,034,729</b>	<b>\$365,938</b>
<b>Liabilities, Fund Equity &amp; Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$196,532	\$10,948	\$0	\$15,709
Accrued Wages & Benefits	694,067	23,822	0	0
Compensated Absences Payable	52,570	0	0	0
Deferred Revenue	2,394,946	0	459,127	0
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>3,338,115</b>	<b>34,770</b>	<b>459,127</b>	<b>15,709</b>
<b>Fund Equity &amp; Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
<b>Retained Earnings:</b>				
Unreserved	0	0	0	0
<b>Fund Balance:</b>				
Reserved for Encumbrances	576,076	9,907	0	292,837
Reserved for Property Tax Advances	196,864	0	33,149	0
Reserved for Endowments	0	0	0	0
Reserved For Set-Asides	78,080	0	0	0
Unreserved & Undesignated	987,372	201,912	542,453	57,392
<b>Total Fund Equity (Deficit) &amp; Other Credits</b>	<b>1,838,392</b>	<b>211,819</b>	<b>575,602</b>	<b>350,229</b>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<b>\$5,176,507</b>	<b>\$246,589</b>	<b>\$1,034,729</b>	<b>\$365,938</b>

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$31,339	\$56,864	\$0	\$0	\$3,745,598
0	0	0	0	78,080
0	0	0	0	3,070,009
0	0	0	0	1,612
45	292	0	0	2,927
0	459	0	0	14,536
23,689	0	0	0	23,689
19,983	0	9,291,683	0	9,311,666
0	0	0	575,602	575,602
0	0	0	2,540,577	2,540,577
<u>\$75,056</u>	<u>\$57,615</u>	<u>\$9,291,683</u>	<u>\$3,116,179</u>	<u>\$19,364,296</u>
\$2,959	\$606	\$0	\$0	\$226,754
25,955	0	0	42,875	786,719
7,395	0	0	418,304	478,269
18,839	374	0	0	2,873,286
0	15,325	0	0	15,325
0	0	0	2,655,000	2,655,000
<u>55,148</u>	<u>16,305</u>	<u>0</u>	<u>3,116,179</u>	<u>7,035,353</u>
0	0	9,291,683	0	9,291,683
19,908	0	0	0	19,908
0	0	0	0	878,820
0	0	0	0	230,013
0	30,000	0	0	30,000
0	0	0	0	78,080
0	11,310	0	0	1,800,439
<u>19,908</u>	<u>41,310</u>	<u>9,291,683</u>	<u>0</u>	<u>12,328,943</u>
<u>\$75,056</u>	<u>\$57,615</u>	<u>\$9,291,683</u>	<u>\$3,116,179</u>	<u>\$19,364,296</u>

Clinton-Massie Local School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 All Governmental Fund Types  
 For the Year Ended June 30, 1999

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
Taxes	\$2,100,357	\$0	\$415,142	\$0	\$2,515,499
Intergovernmental	5,411,604	401,877	44,768	186,276	6,044,525
Investment	177,963	0	0	0	177,963
Tuition & Fees	83,778	0	0	0	83,778
Extracurricular Activities	0	86,189	0	0	86,189
Miscellaneous	47,662	14,363	0	0	62,025
<b>Total Revenues</b>	<b>7,821,364</b>	<b>502,429</b>	<b>459,910</b>	<b>186,276</b>	<b>8,969,979</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	3,783,780	73,231	0	272,793	4,129,804
Special	365,210	139,687	0	0	504,897
Vocational	135,922	0	0	0	135,922
Other	96,577	0	0	0	96,577
<b>Support Services:</b>					
Pupils	301,659	8,374	0	0	310,033
Instructional Staff	323,647	43,718	0	0	367,365
Board of Education	11,767	0	0	0	11,767
Administration	729,443	11,676	0	0	741,119
Fiscal	164,774	155	9,212	0	174,141
Business	17,475	0	0	0	17,475
Operation & Maintenance of Plant	570,743	0	0	181,346	752,089
Pupil Transportation	475,475	0	0	0	475,475
Central	28,364	6,280	0	0	34,644
Extracurricular Activities	170,760	83,775	0	0	254,535
Capital Outlay	0	0	0	447,172	447,172
Debt Service:					
Principal Retirement	0	0	270,000	0	270,000
Interest & Fiscal Charges	0	0	108,136	0	108,136
<b>Total Expenditures</b>	<b>7,175,596</b>	<b>366,896</b>	<b>387,348</b>	<b>901,311</b>	<b>8,831,151</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>645,768</b>	<b>135,533</b>	<b>72,562</b>	<b>(715,035)</b>	<b>138,828</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	1,858	0	0	0	1,858
Refund of Prior Year Expenditures	5,209	0	0	0	5,209
Operating Transfers In	0	0	0	105,000	105,000
Operating Transfers Out	(105,000)	0	0	0	(105,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(97,933)</b>	<b>0</b>	<b>0</b>	<b>105,000</b>	<b>7,067</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>547,835</b>	<b>135,533</b>	<b>72,562</b>	<b>(610,035)</b>	<b>145,895</b>
<b>Fund Balance, Beginning of Year</b>	<b>1,290,557</b>	<b>76,286</b>	<b>503,040</b>	<b>960,264</b>	<b>2,830,147</b>
<b>Fund Balance, End of Year</b>	<b>\$1,838,392</b>	<b>\$211,819</b>	<b>\$575,602</b>	<b>\$350,229</b>	<b>\$2,976,042</b>

See accompanying notes.

Clinton-Massie Local School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 All Governmental Fund Types  
 For the Year Ended June 30, 1999

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$2,006,161	\$2,006,161	\$0	\$0	\$0	\$0
Intergovernmental	5,415,880	5,415,880	0	401,777	401,777	0
Investment	172,740	177,963	5,223	0	0	0
Tuition & Fees	83,461	83,461	0	0	0	0
Extracurricular Activities	0	0	0	86,189	86,189	0
Miscellaneous	46,889	46,889	0	14,745	14,745	0
<b>Total Revenues</b>	<b>7,725,131</b>	<b>7,730,354</b>	<b>5,223</b>	<b>502,711</b>	<b>502,711</b>	<b>0</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	4,080,334	4,080,334	0	76,011	76,011	0
Special	360,540	360,540	0	138,478	138,478	0
Vocational	145,510	145,510	0	0	0	0
Other	106,401	106,401	0	0	0	0
<b>Support Services:</b>						
Pupils	298,470	298,470	0	8,414	8,414	0
Instructional Staff	336,743	336,743	0	43,154	43,154	0
Board of Education	11,767	11,767	0	0	0	0
Administration	735,573	735,573	0	11,676	11,676	0
Fiscal	178,209	178,209	0	155	155	0
Business	15,196	15,196	0	0	0	0
Operation & Maintenance of Plant	743,346	743,346	0	0	0	0
Pupil Transportation	540,261	540,261	0	0	0	0
Central	28,368	28,368	0	6,280	6,280	0
Extracurricular Activities	176,009	176,009	0	97,393	97,393	0
Capital Outlay	0	0	0	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>7,756,727</b>	<b>7,756,727</b>	<b>0</b>	<b>381,561</b>	<b>381,561</b>	<b>0</b>
<b>Excess (Deficiency) of Revenues Over Under Expenditures</b>	<b>(31,596)</b>	<b>(26,373)</b>	<b>5,223</b>	<b>121,150</b>	<b>121,150</b>	<b>0</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	1,858	1,858	0	0	0	0
Refund of Prior Year Expenditures	5,209	5,209	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(105,000)	(105,000)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(97,933)</b>	<b>(97,933)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>(129,529)</b>	<b>(124,306)</b>	<b>5,223</b>	<b>121,150</b>	<b>121,150</b>	<b>0</b>
<b>Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)</b>	<b>1,935,577</b>	<b>1,935,577</b>	<b>0</b>	<b>103,113</b>	<b>103,113</b>	<b>0</b>
<b>Fund Balance, End of Year</b>	<b>\$1,806,048</b>	<b>\$1,811,271</b>	<b>\$5,223</b>	<b>\$224,263</b>	<b>\$224,263</b>	<b>\$0</b>

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$407,501	\$407,501	\$0	\$0	\$0	\$0	\$2,413,662	\$2,413,662	\$0
44,768	44,768	0	186,276	186,276	0	6,048,701	6,048,701	0
0	0	0	0	0	0	172,740	177,963	5,223
0	0	0	0	0	0	83,461	83,461	0
0	0	0	0	0	0	86,189	86,189	0
0	0	0	0	0	0	61,634	61,634	0
452,269	452,269	0	186,276	186,276	0	8,866,387	8,871,610	5,223
0	0	0	279,372	279,372	0	4,435,717	4,435,717	0
0	0	0	0	0	0	499,018	499,018	0
0	0	0	0	0	0	145,510	145,510	0
0	0	0	0	0	0	106,401	106,401	0
0	0	0	0	0	0	306,884	306,884	0
0	0	0	0	0	0	379,897	379,897	0
0	0	0	0	0	0	11,767	11,767	0
0	0	0	0	0	0	747,249	747,249	0
9,212	9,212	0	0	0	0	187,576	187,576	0
0	0	0	0	0	0	15,196	15,196	0
0	0	0	420,768	420,768	0	1,164,114	1,164,114	0
0	0	0	49,133	49,133	0	589,394	589,394	0
0	0	0	0	0	0	34,648	34,648	0
0	0	0	0	0	0	273,402	273,402	0
0	0	0	447,171	447,171	0	447,171	447,171	0
270,000	270,000	0	0	0	0	270,000	270,000	0
108,136	108,136	0	0	0	0	108,136	108,136	0
387,348	387,348	0	1,196,444	1,196,444	0	9,722,080	9,722,080	0
64,921	64,921	0	(1,010,168)	(1,010,168)	0	(855,693)	(850,470)	5,223
0	0	0	0	0	0	1,858	1,858	0
0	0	0	0	0	0	5,209	5,209	0
0	0	0	105,000	105,000	0	105,000	105,000	0
0	0	0	0	0	0	(105,000)	(105,000)	0
0	0	0	105,000	105,000	0	7,067	7,067	0
64,921	64,921	0	(905,168)	(905,168)	0	(848,626)	(843,403)	5,223
477,532	477,532	0	965,288	965,288	0	3,481,510	3,481,510	0
\$542,453	\$542,453	\$0	\$60,120	\$60,120	\$0	\$2,632,884	\$2,638,107	\$5,223



Clinton-Massie Local School District  
 Combined Statement of Revenues, Expenses  
 And Changes in Retained Earnings/Fund Balance  
 Proprietary Fund Type and Nonexpendable Trust Funds  
 For the Year Ended June 30, 1999

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Revenues:			
Investment Revenue	\$0	\$2,501	\$2,501
Charges for Services	\$215,367	0	\$215,367
Miscellaneous Revenue	0	1,722	1,722
Total Operating Revenues	<u>215,367</u>	<u>4,223</u>	<u>219,590</u>
Operating Expenses:			
Salaries	129,826	0	129,826
Fringe Benefits	34,629	0	34,629
Purchased Services	3,894	0	3,894
Materials & Supplies	154,180	0	154,180
Depreciation	7,554	0	7,554
Other Operating Expenses	0	2,000	2,000
Total Operating Expenses	<u>330,083</u>	<u>2,000</u>	<u>332,083</u>
Operating Income (Loss)	<u>(114,716)</u>	<u>2,223</u>	<u>(112,493)</u>
Non-Operating Revenues (Expenses):			
Miscellaneous Revenue	8,654	0	8,654
Donated Commodities	27,780	0	27,780
Operating Grants - State & Local	2,305	0	2,305
Operating Grants - Federal	53,413	0	53,413
Total Non-Operating Revenues	<u>92,152</u>	<u>0</u>	<u>92,152</u>
Net Income	<u>(22,564)</u>	<u>2,223</u>	<u>(20,341)</u>
Retained Earnings/Fund Balance, Beginning of Year	<u>42,472</u>	<u>39,087</u>	<u>81,559</u>
Retained Earnings/Fund Balance, End of Year	<u>\$19,908</u>	<u>\$41,310</u>	<u>\$61,218</u>

See accompanying notes.

Clinton-Massie Local School District  
 Combined Statement of Cash Flows  
 Proprietary Fund Type and NonExpendable Trust Funds  
 For the Year Ended June 30, 1999

	Proprietary	Fiduciary	Totals
	Fund Type	Fund Type	(Memorandum only)
	Enterprise	Nonexpendable Trust	
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Investment Earnings	\$0	\$2,416	\$2,416
Cash Received from Charges for Services	215,367	0	215,367
Cash Received from Miscellaneous Sources	0	1,722	1,722
Cash Payments for Personal Services	(161,432)	0	(161,432)
Cash Payments for Contract Services	(3,894)	0	(3,894)
Cash Payments for Supplies & Materials	(123,944)	0	(123,944)
Cash Payments for Other Expenses	0	(2,000)	(2,000)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(73,903)</b>	<b>2,138</b>	<b>(71,765)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash Received from Operating Grants	55,718	0	55,718
Other	9,165	0	9,165
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>64,883</b>	<b>0</b>	<b>64,883</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(1,203)	0	(1,203)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(1,203)</b>	<b>0</b>	<b>(1,203)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(10,223)</b>	<b>2,138</b>	<b>(8,085)</b>
Cash and Cash Equivalents at Beginning of Year	41,562	39,087	80,649
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$31,339</b>	<b>\$41,225</b>	<b>\$72,564</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	(\$114,716)	\$2,223	(\$112,493)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation	7,554	0	7,554
Donated Commodities Used	27,780	0	27,780
<b>Changes in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivables	511	0	511
(Increase) Decrease in Accrued Interest	0	(453)	(453)
(Increase) Decrease in Materials & Supplies Inventory	(7,139)	0	(7,139)
Increase (Decrease) in Accounts Payable	2,876	0	2,876
Increase (Decrease) in Accrued Wages & Benefits	2,046	0	2,046
Increase (Decrease) in Compensated Absences Payable	977	0	977
Increase (Decrease) in Deferred Revenue	6,208	368	6,576
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(73,903)</b>	<b>\$2,138</b>	<b>(71,765)</b>
<b>Reconciliation of Non-Expendable Trust Fund to Balance Sheet:</b>			
Cash and cash equivalents - All Fiduciary Funds		\$56,864	
Cash and cash equivalents - Agency Funds		(15,639)	
<b>Cash and cash equivalents - Non-Expendable Trust Fund</b>	<b>7</b>	<b>\$41,225</b>	

See accompanying notes.

CLINTON-MASSIE LOCAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE DISTRICT

The Clinton-Massie Local School District (District) was originally organized in October of 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 School 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 58 non-certificated, 96 certificated teaching personnel, and 9 administrative employees to provide service to 1,696 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. The Reporting Entity

For financial reporting purposes, the District's financial statements include all funds and account groups of the primary government (the District) based upon criteria set forth in GASB Statement 14. The primary government consists of all funds, departments, boards and agencies not legally separate from the District. The District considered potential component units for inclusion in the financial statements. Generally, component units are legally separate organizations for which the elected officials of the District would be financially accountable. The District would consider an organization to be a component unit if:

1. The District appoints a voting majority of the organization's governing body AND (a) is able to impose its will on that organization OR (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District.
- OR 2. The organization is fiscally dependent upon the District.
- OR 3. The nature of the relationship between the district and the organization is such that exclusion from the financial reporting entity would render the financial statements misleading.

The District includes no component units in the financial statements.

The District is not involved in the budgeting or management of Parent Teacher Organizations, volunteer associations, or booster clubs. The District is also not responsible for any debt and has no influence over the organizations or clubs.

## CLINTON-MASSIE LOCAL SCHOOL DISTRICT

The District is associated with organizations which are defined as jointly governed organizations. These organizations are Clinton County Consortium, Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Trust Plan, Hopewell Special Education Regional Resource Center, and the Miami Valley Educational Computer Association. These organizations are presented in Note 13 to the general purpose financial statements.

### B. Basis of Presentation - Fund Accounting

The accounts of the District are maintained on the basis of fund and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund equity and other credits, revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the District:

Governmental Funds - Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except for those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

#### General Fund

The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

#### Special Revenue Funds

Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

#### Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Ohio Law.

#### Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds - Proprietary funds are used to account for the District's ongoing activities which are similar to those most often found in the private sector. The following is the District's proprietary fund type:

## CLINTON-MASSIE LOCAL SCHOOL DISTRICT

### Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds - Fiduciary funds are used for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include non-expendable trust and agency funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities).

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

#### General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in proprietary funds and trust funds.

#### General Long-Term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, except those accounted for in Proprietary Funds and Trusts Funds.

### C. Measurement Focus/Basis of Accounting

*Measurement Focus:* Governmental fund types and expendable trust funds are accounted for on a spending, or "current financial resources," measurement focus. Governmental fund types and expendable trust funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources.

Proprietary fund types and nonexpendable trust funds are accounted for on a cost of services, or "economic resources," measurement focus. Proprietary fund type income statements represent increases and decreases in net total assets.

## CLINTON-MASSIE LOCAL SCHOOL DISTRICT

*Basis of Accounting:* The modified accrual basis of accounting is followed for governmental and agency funds. Under this basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue considered susceptible to accrual includes but is not limited to property taxes available for advance, interest, tuition, and state and federal grants. Property taxes measurable but not available for advance by the county auditor at year end are recorded as deferred revenue. Property taxes available for advance at year end are recognized as revenue. Expenditures are recognized in the period in which the related fund liabilities is incurred, except interest on long-term debt which is recorded when due.

Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

### D. Budgetary Data

*Budgetary Basis of Accounting:* The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budget basis and the GAAP basis are:

- (1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- (2) Expenditures are recorded when encumbered, or paid in cash (budget), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, which includes amendments to the original appropriation, for each fund type by expenditure function and revenue by source are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (non-GAAP Budgetary Basis). The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District is required by state statute to adopt an annual appropriated budget for all governmental fund types. The specific timetable is as follows:

1. Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing or increased tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Clinton County Budget Commission for tax rate determination.

## CLINTON-MASSIE LOCAL SCHOOL DISTRICT

3. By April 1, the Board of Education accepts by formal resolution, the tax rates as determined by the Clinton County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the Clinton County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds complete the year within the amount of their legally authorized appropriations.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

### E. Encumbrances

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at fiscal year end appear on the combined balance sheet as a reserve of the fund balance on a GAAP Basis and for all funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

## CLINTON-MASSIE LOCAL SCHOOL DISTRICT

### F. Cash and Investments

Cash received by the District is deposited in various bank accounts with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments. State statute authorizes the District to invest in obligations of the U.S. Treasury, and repurchase agreements. Under existing Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to certain trust funds and those funds individually authorized by Board resolution.

During fiscal year 1999, investments were limited to repurchase agreements and U.S. Treasury Bonds.

Except for nonparticipating investment contracts (repurchase agreements), investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts are reported at cost.

For purposes of the Statement of Cash Flows (GASB Statement No. 9), all highly liquid investments with a maturity of three months or less when acquired are considered to be cash equivalents and are included under the heading "Equity in pooled cash and investments."

Investments are stated at fair market value as determined by quoted market prices.

### G. Restricted Assets

Restricted assets in the general fund represent pooled cash and investments set aside to establish a budget stabilization reserve. This reserve is required by State statute. A fund balance reserve has also been established.

### H. Inventory (Materials and Supplies)

The inventory of the Lunchroom Fund, the only enterprise fund, is valued at lower of cost (first-in, first-out method) or market and is determined by physical count. Inventory of the lunchroom fund consisted of donated food and purchased food held for resale and is expensed when used.

### I. Fixed Assets and Depreciation

1. General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure. The District maintains a capitalization threshold of three-hundred dollars (\$300).



CLINTON-MASSIE LOCAL SCHOOL DISTRICT

2. Proprietary Funds (Lunchroom only fund)

Property, plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>ASSET</u>	<u>LIFE</u>
Furniture, fixtures, and equipment	5 to 20 years

J. Intergovernmental Revenues

In governmental funds, non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

K. Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

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

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

CLINTON-MASSIE LOCAL SCHOOL DISTRICT

SICK LEAVE

How earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)
Maximum accumulation	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

For governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the respective governmental fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. Compensated absences of proprietary funds are recorded as an expense and liability of the respective proprietary fund.

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to /from other funds. The District had no interfund loans or advances at year end.

M. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated, in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

## CLINTON-MASSIE LOCAL SCHOOL DISTRICT

### N. Fund Equity

The School District records reservations for portions of fund equity which are legally segregated for 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 are established for encumbrances, property taxes, advances and budgetary set-asides required under Ohio Law. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

### O. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

### P. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board of Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

## NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Active Monies - Those monies that are required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies - Those monies that are not required for use within the current two-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Interim Monies - Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

## CLINTON-MASSIE LOCAL SCHOOL DISTRICT

Protection of the School 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 moneys deposited with the institution.

State legislation permits 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;
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 corporations, 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 (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating 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 School District, and must be purchased with the expectations 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.

CLINTON-MASSIE LOCAL SCHOOL DISTRICT

At year end, the carrying amount of the District's deposits was \$2,494,500. The bank balance of deposits was \$2,563,414 and of the bank balance, \$237,000 was covered by federal depository insurance. The remaining bank balance of \$2,326,414 was covered by collateral held by third-party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end. CATEGORY 1 includes investments that are issued or registered or for which the securities are held by the District or its agent in the District's name. CATEGORY 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. CATEGORY 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year end are classified as follows:

<u>INVESTMENTS</u>	<u>Risk Category</u>	<u>Carrying Value/Fair Value</u>
U.S. Treasury Bond	1	\$10,000
Repurchase Agreement	3	<u>1,319,178</u>
TOTALS		\$1,329,178

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 1998 were based; are as follows:

Tangible Personal--general and public utility	\$13,373,168
Public utility and real estate	<u>90,181,180</u>
Total Assessed property value	\$103,554,348

In 1999, real property taxes were levied in April on the assessed values as of January 1, 1998, the lien date. Assessed values are established by the Clinton County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in 1996. Tangible personal property tax is assessed on equipment and inventory held by businesses as of December 31, 1998. Tangible property is assessed at 25% of true value (as defined). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed to the District by the State.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20. If paid semi-annually, the first payment (at least 1/2 of amount billed) was due January 20 with the remainder due on June 20.

The Clinton County Auditor, the Warren County Auditor, and the Greene County Auditor remit portions of the taxes collected to all taxing districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal Property taxes in June and October.

CLINTON-MASSIE LOCAL SCHOOL DISTRICT

Uncollected taxes outstanding intended to finance the current fiscal year and available for advance by the County Auditor at year end are recorded as receivables at June 30 and revenues for the current fiscal year. Uncollected taxes outstanding and not available to the District at year end are recorded as a receivable and deferred revenue. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

NOTE 5 - FIXED ASSETS

A summary of the General Fixed Assets Account Group is as follows:

	<u>7/1/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/99</u>
Land	\$ 8,800	\$ 0	\$ 0	\$ 8,800
Building and Building Improvements	5,965,454	0	0	5,965,454
Equipment	2,449,825	898,720	31,116	3,317,429
Total	<u>\$8,424,079</u>	<u>\$898,720</u>	<u>\$31,116</u>	<u>\$9,291,683</u>

A summary of the Proprietary Fund fixed assets at year end follows:

Equipment	\$ 157,126
Less Accumulated Depreciation	<u>137,143</u>
Net Fixed Assets	\$ 19,983

NOTE 6 - CHANGES IN THE GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

During the year ended June 30, 1999, the following changes occurred in debt reported in the General Long-Term Obligations Account Group.

	<u>Balance Beginning of Year</u>	<u>Net Increase</u>	<u>Net Decrease</u>	<u>Balance End of Year</u>
Accrued Wages & Benefits	\$ 36,678	\$ 6,197	\$ 0	\$ 42,875
General Obligation Bonds	\$2,925,000	\$ 0	\$270,000	\$2,655,000
Compensated Absences	\$ 313,530	\$104,774	\$ 0	\$ 418,304
Totals	<u>\$3,275,208</u>	<u>\$110,971</u>	<u>\$270,000</u>	<u>\$3,116,179</u>

CLINTON-MASSIE LOCAL SCHOOL DISTRICT

NOTE 7 - LONG-TERM DEBT

All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. Interest payments are made in June and December of each year, principal payments are made in December only. The source of payment is derived from debt tax issue proceeds.

A. The following is a description of the District's bonds outstanding as of year end:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 7/1/98</u>	<u>Retired 1999</u>	<u>Balance 6/30/99</u>
1979 Elementary/ Middle School	6.7261	1990	2003	\$535,000	\$75,000	\$460,000
1988 Building Addition	7.1983	1990	2011	<u>\$2,390,000</u>	<u>\$195,000</u>	<u>\$2,195,000</u>
Totals				\$2,925,000	\$270,000	\$2,655,000

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

<u>Year Ending June 30</u>	<u>Principal on General Obligation Bonds</u>	<u>Interest on General Obligation Bonds</u>	<u>Total</u>
2000	280,000	95,100	375,100
2001	295,000	81,040	376,040
2002	310,000	65,925	375,925
2003	330,000	49,605	379,605
2004	340,000	32,160	372,160
2005	250,000	17,585	267,585
2006	260,000	5,980	265,980
2007	112,347	152,653	265,000
2008	108,581	161,419	270,000
2009	100,451	164,549	265,000
2010	94,500	170,501	265,001
2011	90,401	179,599	270,000
2012	<u>83,720</u>	<u>181,287</u>	<u>265,007</u>
Totals	\$2,655,000	\$1,357,403	\$4,012,403

## CLINTON-MASSIE LOCAL SCHOOL DISTRICT

### NOTE 8 - DEFINED BENEFIT PENSION PLANS

#### A. School Employees Retirement System

The Clinton-Massie Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1998, 9.79 percent was the portion 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 School District's contributions for pension obligations to SERS for the fiscal year ended June 30, 1999, 1998, and 1997 were \$139,650, \$125,862, and \$115,620, respectively. 48 percent has been contributed for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. \$73,188 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

The District pays retirement through deductions from foundation payments and at June 30, the District owed an obligation equal to six months deductions to SERS. Two months is presented as a fund liability with the remainder presented in the general long term account group.

#### B. State Teachers Retirement System

The Clinton-Massie Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual salary and the Clinton-Massie Local School District is required to contribute 14%, 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percents for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal year ended June 30, 1999,



## CLINTON-MASSIE LOCAL SCHOOL DISTRICT

1998, and 1997 were \$537,756, \$487,320, and \$441,372, respectively, 82 percent has been contributed for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. \$94,608 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

The District pays retirement through deductions from foundation payments and at June 30, the District owed an obligation equal to two months deductions to STRS which is presented as a fund liability.

### NOTE 9 - POST EMPLOYMENT BENEFITS

The School 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 obligation 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased by 3.5 percent. For the School District this amount equaled \$134,439 during 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS has 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percents of covered payroll, an increase from 4.21 percent for fiscal year 1998. 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 1999, the minimum pay has been established at \$12,400. 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 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including surcharge, equaled \$49,676 during the 1999 fiscal year.

CLINTON-MASSIE LOCAL SCHOOL DISTRICT

NOTE 10 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings 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. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

Reconciliation of Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
From GAAP Basis to Budgetary Basis

<u>Governmental Fund Types</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
GAAP Basis	\$547,835	\$135,533	\$72,562	(\$610,035)
Net Adjustment for Revenue Accruals	(91,010)	282	(7,641)	- 0 -
Net Adjustment for Expenditure Accruals	190,393	5,354	- 0 -	10,685
Adjustment for Encumbrances	<u>(\$771,524)</u>	<u>(\$20,019)</u>	<u>- 0 -</u>	<u>(\$305,818)</u>
Budgetary Basis	<u>(\$124,306)</u>	<u>\$121,150</u>	<u>\$64,921</u>	<u>(\$905,168)</u>

NOTE 11 - COMPLIANCE AND ACCOUNTABILITY

State Statute requires all funds to have expenditures and encumbrances within approved appropriation limits. All funds of the District had expenditures and encumbrances within the approved appropriations.

NOTE 12 - CONTINGENT LIABILITIES

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. Management is unable to estimate possible claims resulting from such audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District.

Litigation--There are currently no matters in litigation with the District as defendant.

## CLINTON-MASSIE LOCAL SCHOOL DISTRICT

### NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

Clinton County Consortium, 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 this 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, 1999, are available in each district.

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust - 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 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 Healthcare. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. In fiscal year 1999, Clinton-Massie Local School District contributed \$430,733 which represented 1.05 percent of total contributions to the Trust. Financial information can be obtained from Barbara Coriell, who serves as administrator, at EPC Benefits Office, 1831 Harshman Road, Dayton, OH 45424.

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 a 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.

Miami Valley Educational Computer Association (MVECA) is the computer consortium or A-site that is used by the school district. MVECA is an association of 25 public school districts in a geographic area determined by the Ohio Department of Education. The Greene County Vocational School acts as the fiscal agent for the association. The purpose of the association is to develop and employ a computer system efficiently and effectively for the needs of the member boards of education. All districts in the association are required to pay fee and assessments as established by the constitution. Each district has representation on the Association Assembly by the superintendent and the treasurer. The Board of Directors are elected from this group. The Board of Directors approve all financial obligations entered into by the fiscal agent on behalf of the association. Payments to MVECA for services to Clinton-

## CLINTON-MASSIE LOCAL SCHOOL DISTRICT

Massie are primarily made from the General (Governmental) Fund and totaled \$9,265.35 for this fiscal year. Financial information relating to MVECA for the year ended June 30, 1999, can be obtained by contacting the consortium executive director, Gary Bosserman, (937) 767-1468.

### NOTE 14 - RISK MANAGEMENT

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 1999, the District contracted with Bacon and Associates for property and general liability insurance.

Professional liability is protected by Nationwide Insurance Company with \$1,000,000 each occurrence, \$3,000,000 aggregate limit.

Vehicles are covered by Nationwide Insurance Company with \$100 deductible for comprehensive and \$500 deductible for collision.

Public officials bond insurance is provided by Bacon and Associates. The Treasurer and Accounting Clerk are covered by bonds in the amounts of \$15,000 and \$5,000, respectively. Student Activity Fund bond coverage is \$5,000.

During 1999, the District elected to provide employee medical/surgical benefits by Anthem PPO through the EPC Benefit Trust Plan, a Dayton based organization.

### NOTE 15 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$5,139,584 of school foundation support for its general fund, and \$5,163,474 in total (all funds) support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

## CLINTON-MASSIE LOCAL SCHOOL DISTRICT

### NOTE 16 - YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

Clinton-Massie Local School District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 and that are necessary to conducting District operations and has identified such systems as being accounting, financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The District utilizes an external service organization for its accounting, financial reporting, payroll and employee benefits, and educational statistics reporting systems. The service organization uses the State of Ohio Uniform School Accounting System for its accounting and financial reporting, and the State of Ohio Uniform School Payroll System for its payroll and employee benefits. The external service organization and the State are responsible for remediating these systems and is responsible for any costs associated with this project.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

Clinton County collects property taxes for distribution to the District. Clinton County is responsible for remediating its tax collection system and is solely responsible for all associated costs.

There were no remaining contracted amounts committed to the Year 2000 issue as of June 30, 1999. All compliance costs to date have been covered under current hardware and software support agreements with vendors. Additional costs for Year 2000 compliance will be appropriated as required for fiscal year 2000.

To the best of management's knowledge and belief, as of February 10, 2000, the District experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

CLINTON-MASSIE LOCAL SCHOOL DISTRICT

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, Beginning of Year	0	0	26,025
Required Set-Aside	104,111	104,111	52,055
Offset Credits	(23,890)	(104,111)	0
Qualifying Expenditures	<u>(80,221)</u>	<u>0</u>	<u>0</u>
Balance, End of Year	0	0	78,080

Expenditures for textbook activity during the year totaled \$458,768, which exceeded the amount required for the set-aside.

Offsets for capital activity during the year totaled \$105,000, which exceeded the amount required for the set-aside.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Clinton-Massie Local School District, Clinton County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated February 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Clinton-Massie Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Clinton-Massie Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated February 10, 2000.

Clinton-Massie Local School District  
Clinton County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the management and Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro  
Auditor of State

February 10, 2000





STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490  
www.auditor.state.oh.us

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.

By: Susan Babbitt  
Clerk of the Bureau

Date: MAR 09 2000