



**EAST CLINTON LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**EAST CLINTON LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
East Clinton Local School District  
Clinton County  
97 College Street  
Lees Creek, Ohio 45138

We have audited the accompanying general-purpose financial statements of the East Clinton Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America 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 East Clinton Local School District, Clinton County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2001, the District adopted Governmental Accounting Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2001 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

December 10, 2001

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*East Clinton Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$543,766	\$362,868	\$360,861	\$315,493
Cash and Cash Equivalents With Fiscal Agents	0	0	3,816	0
Receivables:				
Taxes	3,510,292	70,122	484,844	0
Accounts	2,907	176	0	0
Intergovernmental	3,101	5,730	0	0
Accrued Interest	798	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for the Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u><u>\$4,060,864</u></u></b>	<b><u><u>\$438,896</u></u></b>	<b><u><u>\$849,521</u></u></b>	<b><u><u>\$315,493</u></u></b>



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$11,061	\$411,784	\$0	\$0	\$2,005,833
0	0	0	0	3,816
0	0	0	0	4,065,258
0	0	0	0	3,083
0	0	0	0	8,831
0	2,975	0	0	3,773
6,106	0	0	0	6,106
342	0	0	0	342
526,341	0	23,389,152	0	23,915,493
0	0	0	394,356	394,356
0	0	0	3,437,495	3,437,495
<u>\$543,850</u>	<u>\$414,759</u>	<u>\$23,389,152</u>	<u>\$3,831,851</u>	<u>\$33,844,386</u>

(continued)

*East Clinton Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2001*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities,</u></b>				
<b><u>Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$25,260	\$2,237	\$0	\$0
Accrued Wages and Benefits	649,872	38,450	0	0
Compensated Absences Payable	7,905	0	0	0
Intergovernmental Payable	139,835	1,639	0	0
Deferred Revenue	3,282,668	67,003	451,349	0
Undistributed Monies	0	0	0	0
Matured Interest Payable	0	0	3,816	0
General Obligation Bonds Payable	0	0	0	0
	4,105,540	109,329	455,165	0
Total Liabilities				
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	70,407	36,573	0	17,139
Reserved for Contributions	0	0	0	0
Reserved for Property Taxes	227,624	4,785	33,495	0
Unreserved:				
Designated for Budget Stabilization	87,029	0	0	0
Undesignated (Deficit)	(429,736)	288,209	360,861	298,354
	(44,676)	329,567	394,356	315,493
Total Fund Equity (Deficit) and Other Credits				
Total Liabilities, Fund Equity and Other Credits	\$4,060,864	\$438,896	\$849,521	\$315,493

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$251	\$656	\$0	\$0	\$28,404
22,525	0	0	0	710,847
5,176	0	0	304,497	317,578
13,842	0	0	67,354	222,670
2,314	0	0	0	3,803,334
0	36,646	0	0	36,646
0	0	0	0	3,816
0	0	0	3,460,000	3,460,000
<u>44,108</u>	<u>37,302</u>	<u>0</u>	<u>3,831,851</u>	<u>8,583,295</u>
0	0	23,389,152	0	23,389,152
572,189	0	0	0	572,189
(72,447)	0	0	0	(72,447)
0	5	0	0	124,124
0	311,593	0	0	311,593
0	0	0	0	265,904
0	0	0	0	87,029
0	65,859	0	0	583,547
<u>499,742</u>	<u>377,457</u>	<u>23,389,152</u>	<u>0</u>	<u>25,261,091</u>
<u>\$543,850</u>	<u>\$414,759</u>	<u>\$23,389,152</u>	<u>\$3,831,851</u>	<u>\$33,844,386</u>

**East Clinton Local School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
<b><u>Revenues:</u></b>						
Property Taxes	\$2,598,847	\$53,306	\$373,145	\$0	\$0	\$3,025,298
Intergovernmental	5,243,616	523,327	36,338	45,691	0	5,848,972
Interest	82,712	0	0	919	2,284	85,915
Tuition and Fees	18,164	0	0	0	0	18,164
Rent	1,113	0	0	0	0	1,113
Extracurricular Activities	0	51,052	0	0	0	51,052
Miscellaneous	71,563	68,956	0	0	0	140,519
<b>Total Revenues</b>	<b>8,016,015</b>	<b>696,641</b>	<b>409,483</b>	<b>46,610</b>	<b>2,284</b>	<b>9,171,033</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	3,575,038	76,373	0	0	0	3,651,411
Special	474,712	215,175	0	0	0	689,887
Vocational	103,165	15,856	0	0	0	119,021
Other	2,263	0	0	0	0	2,263
Support Services:						
Pupils	232,092	50,864	0	0	0	282,956
Instructional Staff	533,186	93,133	0	0	0	626,319
Board of Education	13,559	0	0	0	0	13,559
Administration	697,429	80,696	0	0	1,850	779,975
Fiscal	173,089	1,256	8,446	0	0	182,791
Business	10,529	0	0	0	0	10,529
Operation and Maintenance of Plant	911,200	0	0	0	0	911,200
Pupil Transportation	755,373	309	0	0	0	755,682
Central	11,105	5,000	0	0	0	16,105
Extracurricular Activities	129,506	58,303	0	0	0	187,809
Capital Outlay	4,700	0	0	130,930	0	135,630
Debt Service:						
Principal Retirement	0	0	185,000	0	0	185,000
Interest and Fiscal Charges	0	0	228,085	0	0	228,085
<b>Total Expenditures</b>	<b>7,626,946</b>	<b>596,965</b>	<b>421,531</b>	<b>130,930</b>	<b>1,850</b>	<b>8,778,222</b>
Excess of Revenues Over (Under) Expenditures	389,069	99,676	(12,048)	(84,320)	434	392,811
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Fixed Assets	15,324	0	0	0	0	15,324
Operating Transfers In	0	0	0	117,000	0	117,000
Operating Transfers Out	(117,000)	0	0	0	0	(117,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(101,676)</b>	<b>0</b>	<b>0</b>	<b>117,000</b>	<b>0</b>	<b>15,324</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	287,393	99,676	(12,048)	32,680	434	408,135
Fund Balances (Deficit) at Beginning of Year - Restated (Note 19)	(332,069)	229,891	406,404	282,813	36,515	623,554
<b>Fund Balances (Deficit) at End of Year</b>	<b>(\$44,676)</b>	<b>\$329,567</b>	<b>\$394,356</b>	<b>\$315,493</b>	<b>\$36,949</b>	<b>\$1,031,689</b>

See accompanying notes to the general purpose financial statements

*East Clinton Local School District  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2001*

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$2,487,751	\$2,487,751	\$0	\$51,431	\$51,431	\$0
Intergovernmental	5,244,943	5,244,966	23	541,948	544,002	2,054
Interest	80,850	81,914	1,064	0	0	0
Tuition and Fees	17,709	18,003	294	0	0	0
Rent	1,481	1,481	0	0	0	0
Extracurricular Activities	0	0	0	50,737	50,737	0
Miscellaneous	48,130	52,026	3,896	68,879	69,340	461
<b>Total Revenues</b>	<b>7,880,864</b>	<b>7,886,141</b>	<b>5,277</b>	<b>712,995</b>	<b>715,510</b>	<b>2,515</b>
<b><u>Expenditures:</u></b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	3,801,232	3,586,680	214,552	93,400	75,927	17,473
Special	480,890	468,329	12,561	243,669	213,957	29,712
Vocational	120,525	104,172	16,353	15,856	15,856	0
Other	50,000	15,745	34,255	0	0	0
<b>Support Services:</b>						
Pupils	238,919	235,378	3,541	79,409	67,201	12,208
Instructional Staff	478,663	518,759	(40,096)	118,515	103,209	15,306
Board of Education	17,540	13,559	3,981	0	0	0
Administration	768,679	695,923	72,756	95,192	83,708	11,484
Fiscal	184,712	173,394	11,318	1,750	1,256	494
Business	10,242	7,286	2,956	0	0	0
Operation and Maintenance of Plant	832,684	950,895	(118,211)	0	0	0
Pupil Transportation	751,420	747,336	4,084	0	309	(309)
Central	30,007	11,105	18,902	17,000	5,000	12,000
Extracurricular Activities	132,700	128,292	4,408	74,903	71,981	2,922
Capital Outlay	5,700	9,500	(3,800)	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>7,903,913</b>	<b>7,666,353</b>	<b>237,560</b>	<b>739,694</b>	<b>638,404</b>	<b>101,290</b>
Excess of Revenues Over (Under) Expenditures	(23,049)	219,788	242,837	(26,699)	77,106	103,805
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Fixed Assets	15,324	15,324	0	0	0	0
Refund of Prior Year Expenditures	2,101	2,101	0	0	0	0
Other Financing Sources	19,198	19,198	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(101,994)	(117,000)	(15,006)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(65,371)</b>	<b>(80,377)</b>	<b>(15,006)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(88,420)	139,411	227,831	(26,699)	77,106	103,805
Fund Balances at Beginning of Year	156,438	156,438	0	215,253	215,253	0
Prior Year Encumbrances Appropriated	175,963	175,963	0	32,177	32,177	0
<b>Fund Balances at End of Year</b>	<b>\$243,981</b>	<b>\$471,812</b>	<b>\$227,831</b>	<b>\$220,731</b>	<b>\$324,536</b>	<b>\$103,805</b>

See accompanying notes to the general purpose financial statements

*East Clinton Local School District  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2001*

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$2,487,751	\$2,487,751	\$0	\$51,431	\$51,431	\$0
Intergovernmental	5,244,943	5,244,966	23	541,948	544,002	2,054
Interest	80,850	81,914	1,064	0	0	0
Tuition and Fees	17,709	18,003	294	0	0	0
Rent	1,481	1,481	0	0	0	0
Extracurricular Activities	0	0	0	50,737	50,737	0
Miscellaneous	48,130	52,026	3,896	68,879	69,340	461
<b>Total Revenues</b>	<b>7,880,864</b>	<b>7,886,141</b>	<b>5,277</b>	<b>712,995</b>	<b>715,510</b>	<b>2,515</b>
<b><u>Expenditures:</u></b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	3,801,232	3,586,680	214,552	93,400	75,927	17,473
Special	480,890	468,329	12,561	243,669	213,957	29,712
Vocational	120,525	104,172	16,353	15,856	15,856	0
Other	50,000	15,745	34,255	0	0	0
<b>Support Services:</b>						
Pupils	238,919	235,378	3,541	79,409	67,201	12,208
Instructional Staff	478,663	518,759	(40,096)	118,515	103,209	15,306
Board of Education	17,540	13,559	3,981	0	0	0
Administration	768,679	695,923	72,756	95,192	83,708	11,484
Fiscal	184,712	173,394	11,318	1,750	1,256	494
Business	10,242	7,286	2,956	0	0	0
Operation and Maintenance of Plant	832,684	950,895	(118,211)	0	0	0
Pupil Transportation	751,420	747,336	4,084	0	309	(309)
Central	30,007	11,105	18,902	17,000	5,000	12,000
Extracurricular Activities	132,700	128,292	4,408	74,903	71,981	2,922
Capital Outlay	5,700	9,500	(3,800)	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>7,903,913</b>	<b>7,666,353</b>	<b>237,560</b>	<b>739,694</b>	<b>638,404</b>	<b>101,290</b>
Excess of Revenues Over (Under) Expenditures	(23,049)	219,788	242,837	(26,699)	77,106	103,805
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Fixed Assets	15,324	15,324	0	0	0	0
Refund of Prior Year Expenditures	2,101	2,101	0	0	0	0
Other Financing Sources	19,198	19,198	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(101,994)	(117,000)	(15,006)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(65,371)</b>	<b>(80,377)</b>	<b>(15,006)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(88,420)	139,411	227,831	(26,699)	77,106	103,805
Fund Balances at Beginning of Year	156,438	156,438	0	215,253	215,253	0
Prior Year Encumbrances Appropriated	175,963	175,963	0	32,177	32,177	0
<b>Fund Balances at End of Year</b>	<b>\$243,981</b>	<b>\$471,812</b>	<b>\$227,831</b>	<b>\$220,731</b>	<b>\$324,536</b>	<b>\$103,805</b>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$360,015	\$360,015	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,899,197	\$2,899,197	\$0
36,335	36,338	3	113,191	113,191	0	0	0	0	5,936,417	5,938,497	2,080
0	0	0	919	919	0	2,131	2,131	0	83,900	84,964	1,064
0	0	0	0	0	0	0	0	0	17,709	18,003	294
0	0	0	0	0	0	0	0	0	1,481	1,481	0
0	0	0	0	0	0	0	0	0	50,737	50,737	0
0	0	0	0	0	0	0	0	0	117,009	121,366	4,357
<u>396,350</u>	<u>396,353</u>	<u>3</u>	<u>114,110</u>	<u>114,110</u>	<u>0</u>	<u>2,131</u>	<u>2,131</u>	<u>0</u>	<u>9,106,450</u>	<u>9,114,245</u>	<u>7,795</u>
0	0	0	75,849	61,325	14,524	0	0	0	3,970,481	3,723,932	246,549
0	0	0	5,910	7,388	(1,478)	0	0	0	730,469	689,674	40,795
0	0	0	0	0	0	0	0	0	136,381	120,028	16,353
0	0	0	0	0	0	0	0	0	50,000	15,745	34,255
0	0	0	0	0	0	0	0	0	318,328	302,579	15,749
0	0	0	20,211	17,429	2,782	0	0	0	617,389	639,397	(22,008)
0	0	0	0	0	0	0	0	0	17,540	13,559	3,981
0	0	0	14,691	8,253	6,438	5,000	1,850	3,150	883,562	789,734	93,828
17,500	8,446	9,054	0	0	0	0	0	0	203,962	183,096	20,866
0	0	0	0	0	0	0	0	0	10,242	7,286	2,956
0	0	0	170,500	64,549	105,951	0	0	0	1,003,184	1,015,444	(12,260)
0	0	0	0	0	0	0	0	0	751,420	747,645	3,775
0	0	0	0	11,990	(11,990)	0	0	0	47,007	28,095	18,912
0	0	0	0	0	0	0	0	0	207,603	200,273	7,330
0	0	0	47,059	47,059	0	0	0	0	52,759	56,559	(3,800)
180,000	185,000	(5,000)	0	0	0	0	0	0	180,000	185,000	(5,000)
<u>233,710</u>	<u>228,085</u>	<u>5,625</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>233,710</u>	<u>228,085</u>	<u>5,625</u>
<u>431,210</u>	<u>421,531</u>	<u>9,679</u>	<u>334,220</u>	<u>217,993</u>	<u>116,227</u>	<u>5,000</u>	<u>1,850</u>	<u>3,150</u>	<u>9,414,037</u>	<u>8,946,131</u>	<u>467,906</u>
<u>(34,860)</u>	<u>(25,178)</u>	<u>9,682</u>	<u>(220,110)</u>	<u>(103,883)</u>	<u>116,227</u>	<u>(2,869)</u>	<u>281</u>	<u>3,150</u>	<u>(307,587)</u>	<u>168,114</u>	<u>475,701</u>
0	0	0	0	0	0	0	0	0	15,324	15,324	0
0	0	0	0	0	0	0	0	0	2,101	2,101	0
0	0	0	0	0	0	0	0	0	19,198	19,198	0
0	0	0	117,000	117,000	0	0	0	0	117,000	117,000	0
0	0	0	0	0	0	0	0	0	(101,994)	(117,000)	(15,006)
0	0	0	117,000	117,000	0	0	0	0	51,629	36,623	(15,006)
<u>(34,860)</u>	<u>(25,178)</u>	<u>9,682</u>	<u>(103,110)</u>	<u>13,117</u>	<u>116,227</u>	<u>(2,869)</u>	<u>281</u>	<u>3,150</u>	<u>(255,958)</u>	<u>204,737</u>	<u>460,695</u>
386,039	386,039	0	246,791	246,791	0	36,514	36,514	0	1,041,035	1,041,035	0
0	0	0	38,446	38,446	0	0	0	0	246,586	246,586	0
<u>\$351,179</u>	<u>\$360,861</u>	<u>\$9,682</u>	<u>\$182,127</u>	<u>\$298,354</u>	<u>\$116,227</u>	<u>\$33,645</u>	<u>\$36,795</u>	<u>\$3,150</u>	<u>\$1,031,663</u>	<u>\$1,492,358</u>	<u>\$460,695</u>

**East Clinton Local School District**  
**Statement of Revenues,**  
**Expenses and Changes in Fund Equity/Fund Balance**  
**Proprietary Fund Type and Nonexpendable Trust Fund**  
**For the Fiscal Year Ended June 30, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b><u>Operating Revenues:</u></b>			
Sales	\$228,111	\$0	\$228,111
Interest	0	27,385	27,385
Total Operating Revenues	228,111	27,385	255,496
<b><u>Operating Expenses:</u></b>			
Salaries	126,099	0	126,099
Fringe Benefits	52,302	0	52,302
Purchased Services	6,605	1,908	8,513
Materials and Supplies	12,935	5,566	18,501
Cost of Sales	161,593	0	161,593
Depreciation	28,100	0	28,100
Other	0	1,297	1,297
Total Operating Expenses	387,634	8,771	396,405
Operating Income (Loss)	(159,523)	18,614	(140,909)
<b><u>Non-Operating Revenues:</u></b>			
Federal Donated Commodities	16,683	0	16,683
Federal and State Subsidies	98,839	0	98,839
Total Non-Operating Revenues	115,522	0	115,522
Net Income (Loss)	(44,001)	18,614	(25,387)
Retained Earnings (Deficit)/Fund Balance at Beginning of Year	(28,446)	321,894	293,448
Retained Earnings (Deficit)/Fund Balance at End of Year	(72,447)	340,508	268,061
Contributed Capital at Beginning and End of Year -Restated (Note 19)	572,189	0	572,189
Total Fund Equity at End of Year	\$499,742	\$340,508	\$840,250

See accompanying notes to the general purpose financial statements



*East Clinton Local School District  
Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2001*

	Enterprise Fund			Nonexpendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Sales	\$227,585	\$228,111	\$526	\$0	\$0	\$0
Federal and State Subsidies	98,839	98,839	0	0	0	0
Interest	0	0	0	19,736	20,336	600
Total Revenues	<u>326,424</u>	<u>326,950</u>	<u>526</u>	<u>19,736</u>	<u>20,336</u>	<u>600</u>
<b><u>Expenses:</u></b>						
Salaries	113,475	123,508	(10,033)	3,327	3,327	0
Fringe Benefits	44,285	47,164	(2,879)	0	0	0
Purchased Services	4,900	6,354	(1,454)	1,305	1,250	55
Materials and Supplies	161,740	158,859	2,881	10,637	5,638	4,999
Capital Outlay	2,000	0	2,000	4,000	403	3,597
Other	0	0	0	500	1,297	(797)
Total Expenses	<u>326,400</u>	<u>335,885</u>	<u>(9,485)</u>	<u>19,769</u>	<u>11,915</u>	<u>7,854</u>
Excess of Revenues Over (Under) Expenses	24	(8,935)	(8,959)	(33)	8,421	8,454
Fund Equity at Beginning of Year	19,996	19,996	0	327,108	327,108	0
Prior Year Encumbrances Appropriated	0	0	0	742	742	0
Fund Equity at End of Year	<u>\$20,020</u>	<u>\$11,061</u>	<u>(\$8,959)</u>	<u>\$327,817</u>	<u>\$336,271</u>	<u>\$8,454</u>

See accompanying notes to the general purpose financial statements

*East Clinton Local School District  
Statement of Cash Flows  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2001*

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals
	<u>Enterprise</u>	Nonexpendable <u>Trust</u>	(Memorandum Only)
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$228,111	\$0	\$228,111
Cash Payments to Suppliers for Goods and Services	(165,213)	(8,427)	(173,640)
Cash Payments to Employees for Services	(123,508)	(3,327)	(126,835)
Cash Payments for Employee Benefits	(47,164)	0	(47,164)
	<u>(107,774)</u>	<u>(11,754)</u>	<u>(119,528)</u>
Net Cash Used for Operating Activities			
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Operating Grants Received	98,839	0	98,839
	<u>98,839</u>	<u>0</u>	<u>98,839</u>
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest on Investments	0	26,840	26,840
	<u>0</u>	<u>26,840</u>	<u>26,840</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,935)	15,086	6,151
Cash and Cash Equivalents at Beginning of Year	19,996	323,257	343,253
	<u>19,996</u>	<u>323,257</u>	<u>343,253</u>
Cash and Cash Equivalents at End of Year	<u>\$11,061</u>	<u>\$338,343</u>	<u>\$349,404</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u></b>			
Operating Income (Loss)	(\$159,523)	\$18,614	(\$140,909)
	<u>(\$159,523)</u>	<u>\$18,614</u>	<u>(\$140,909)</u>
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities</u></b>			
Depreciation	28,100	0	28,100
Donated Commodities Used During Year	16,683	0	16,683
Interest Received by Nonexpendable Trust	0	(27,385)	(27,385)
	<u>28,100</u>	<u>(27,385)</u>	<u>28,100</u>
<b><u>Changes in Assets and Liabilities:</u></b>			
Decrease in Materials and Supplies Inventory	370	0	370
Increase in Inventory Held for Resale	(1,384)	0	(1,384)
Increase in Accounts Payable	251	391	642
Increase (Decrease) in Accrued Wages and Benefits	2,642	(3,326)	(684)
Increase in Compensated Absences Payable	661	0	661
Increase (Decrease) in Intergovernmental Payable	4,426	(48)	4,378
	<u>51,749</u>	<u>(30,368)</u>	<u>21,381</u>
Total Adjustments			
Net Cash Used for Operating Activities	<u>(\$107,774)</u>	<u>(\$11,754)</u>	<u>(\$119,528)</u>
<b>Reconciliation of Nonexpendable Trust Fund to Balance Sheet</b>			
Cash and Cash Equivalents - All Fiduciary Funds		\$411,784	
Cash and Cash Equivalents - Agency Funds		(36,646)	
Cash and Cash Equivalents - Expendable Trust Fund		<u>(36,795)</u>	
Cash and Cash Equivalents - Nonexpendable Trust Fund		<u>\$338,343</u>	

See accompanying notes to the general purpose financial statements

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

East Clinton Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District Operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District.

The Board controls the School District's four instructional support facilities staffed by 70 non-certified employees, 106 teaching personnel and 6 administrative employees providing education to 1,563 students.

**Reporting Entity**

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

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

Entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District. These entities include the Boosters Club, Parent Teacher Organizations, and Alumni Associations.

The School District is associated with seven organizations, one of which is defined as a joint venture, five as jointly governed organizations, and one as an insurance purchasing pool. These organizations are the Clinton County Schools Cooperative, Miami Valley Educational Computer Association (MVECA), Hopewell Special Education Regional Resource Center (Hopewell), Great Oaks Institute of Technology and Career Development, Kenton Trace League, the Southwestern Ohio Educational Purchasing Council (SOEPC), and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15 and 16 to the general purpose financial statements.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

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

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**Governmental Fund Types:**

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

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are 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 or trust funds).

Proprietary Fund Type:

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

Enterprise Fund - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (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 where it has been 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 Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, nonexpendable trust and agency funds. Trust funds account for resources, including both principal and earnings, which must be expended according to the provision of the trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

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

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary and nonexpendable trust funds.

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 School District, available means expected to be received within sixty days of year-end.

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

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, investment earnings, tuition, student fees, charges for services and grants.

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, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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 operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit 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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Clinton County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the 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 School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.



East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits.

During fiscal year 2001, the School District's investments were limited to money market mutual funds, repurchase agreements, U.S. treasury notes and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$82,712, which includes \$61,369 assigned from other School District funds. The capital projects funds, expendable trust fund and nonexpendable trust fund also received interest in the amount of \$919, \$2,284 and \$27,385, respectively.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food and supplies that are expensed when used.

**F. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund is computed using the straight-line method over an estimated useful life of five to twenty years.

**G. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. 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 remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

**H. Accrued Liabilities and Long-term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension obligations that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have used current available financial resources. Bonds are recognized as a liability in the general long-term obligations account group until due.

Long-term obligations financed by the proprietary fund are reported as liabilities in the appropriate proprietary funds.

**I. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**J. Fund Balance Reserves**

The School 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, contributions, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for contributions signifies the legal restriction on the use of principal.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**K. Fund Designations**

Fund balance designations are established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. The designations represent monies for budget stabilization.

**L. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

**M. Estimates**

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

**N. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (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 cash flows 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.

**NOTE 3 - ACCOUNTABILITY**

Fund balances at June 30, 2001, included the following individual fund deficits:

General Fund	\$44,676
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The deficit was due to adjustments for accrued liabilities. The School District is monitoring the general fund deficit and will take appropriate action if deemed necessary.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is 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, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Expendable Trust Fund and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis)-Proprietary Fund Type and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$287,393	\$99,676	(\$12,048)	\$32,680	\$434
Adjustments:					
Revenue Accruals	(108,575)	18,869	(13,130)	67,500	(153)
Expenditure Accruals	32,547	(3,107)	0	(69,924)	0
Encumbrances	(71,954)	(38,332)	0	(17,139)	0
Budget Basis	<u>\$139,411</u>	<u>\$77,106</u>	<u>(\$25,178)</u>	<u>\$13,117</u>	<u>\$281</u>

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

Net Income(Loss)/Excess of Revenues Over(Under)/Expenses Proprietary Fund Type and Nonexpendable Trust Fund	Enterprise	Nonexpendable Trust
GAAP Basis	(\$44,001)	\$18,614
Adjustments:		
Revenue Accruals	0	(7,049)
Expense Accruals	6,966	(2,983)
Encumbrances	0	(161)
Depreciation Expense	28,100	0
Budget Basis	(\$8,935)	\$8,421

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

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 monies deposited with the institution.

Interim monies may 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the 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) 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 eighty days from the date of purchase 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, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

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 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$263,924 and the bank balance was \$373,953. Of the bank balance:

- (1) \$273,953 was covered by federal depository insurance; and
- (2) \$100,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name, and State statutory requirements for the deposit of the money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Money market mutual funds are unclassified since they are not evidenced by securities that exist in physical or book entry form.



East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

	Category 3	Carrying/Fair Value
	<u>                    </u>	<u>                    </u>
Federal Home Loan Bank Bonds	\$101,016	\$101,016
Federal Home Loan Mortgage Bonds	24,914	24,914
U.S. Treasury Notes	40,863	40,863
Money Market Mutual Funds	0	364,945
Repurchase Agreements	1,213,987	1,213,987
Totals	<u>\$1,380,780</u>	<u>\$1,745,725</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits or investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
	<u>                    </u>	<u>                    </u>
GASB Statement No. 9	\$2,009,649	\$0
Investments:		
Federal Home Loan Bank Bonds	(101,016)	101,016
Federal Home Loan Mortgage Bonds	(24,914)	24,914
U.S. Treasury Notes	(40,863)	40,863
Money Market Mutual Funds	(364,945)	364,945
Repurchase Agreements	(1,213,987)	1,213,987
GASB Statement No. 3	<u>\$263,924</u>	<u>\$1,745,725</u>

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$88,131,440	80.02%	\$103,232,980	82.77%
Public Utility	10,762,270	9.77%	7,693,450	6.17%
Tangible Personal Property	11,241,942	10.21%	13,791,372	11.06%
Total Assessed Value	<u>\$110,135,652</u>	<u>100.00%</u>	<u>\$124,717,802</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.50		\$37.06	

The School District receives property taxes from Clinton County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. 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. The amount available as an advance at June 30, 2001, was \$227,624 in the General Fund, \$4,785 in the Classroom Maintenance Special Revenue Fund, and \$33,495 in the Debt Service Fund.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts, interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<i><b>General Fund</b></i>	
Reimbursement	\$140
Training	2,124
Bureau of Workers' Compensation Refund	837
Total General Fund	3,101
<i><b>Special Revenue Funds</b></i>	
Eisenhower	654
Title VI	1,666
Class Size Reduction	3,410
Total Special Revenue Funds	5,730
Total Intergovernmental Receivables	\$8,831

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$600,700
Less Accumulated Depreciation	(74,359)
Net Fixed Assets	\$526,341

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at June 30, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2001</u>
Land	\$296,976	\$0	\$0	\$296,976
Buildings and Improvements	19,588,241	0	358,806	19,229,435
Furniture, Fixtures and Equipment	1,511,804	155,267	0	1,667,071
Vehicles	912,019	115,712	0	1,027,731
Improvements Other than Buildings	128,319	188,976	0	317,295
Textbooks and Library Books	463,089	387,555	0	850,644
Totals	<u>\$22,900,448</u>	<u>\$847,510</u>	<u>\$358,806</u>	<u>\$23,389,152</u>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Acordia/McEloy for property insurance, and Nationwide Insurance Company for fleet and liability insurance. Coverages provided at June 30, 2001 are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$28,746,150
Inland Marine Coverage (\$250 deductible) - Each location	509,000
Valuable Papers (\$100 deductible)	100,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorist (\$250 deductible)	500,000
General Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000

There has been no significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 9 - RISK MANAGEMENT** (Continued)

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). The plan is intended to reduce premiums for the participants. The workers' compensation expense of the participating school districts is calculated as one expense and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover costs of administering the program.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. 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. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$44,248, \$53,628, and \$165,858, respectively; 41 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$26,086 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (Continued)

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone 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 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$403,946, \$218,636, and \$550,662, respectively; 84.71 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$61,755 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, one of the School District's members of the Board of Education has elected Social Security. The School District's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT 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 obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (Continued)

All STRS benefit recipients and sponsored 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. Most benefit recipients pay a portion of the 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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$191,343 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$383,137,000 and STRS had 99,011 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. 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.

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, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$123,372.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn ten to twenty days of vacation per year, depending upon length of service. Teachers do not earn vacation time.



East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 12 - EMPLOYEE BENEFITS** (Continued)

Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 188 days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 47 days.

**B. Medical and Dental Insurance**

The School District provides medical insurance coverage to most employees. The School District pays 95% of the premium for single coverage and 66% of the premium for family coverage through Anthem Blue Cross Blue Shield. The School District provides dental insurance coverage to most employees through CoreSource and pays 100% of the premium.

**C. Life Insurance**

The School District provides life insurance to all employees, except substitutes, through CoreSource, and pays 100% of the premium.

**D. Special Termination Benefit Payable**

Teaching employees who retire the first year they are eligible to retire through STRS are paid a bonus of \$9,000. One half is paid upon receipt of proof of retirement from STRS and one half is paid the following January. There was no obligation outstanding at June 30, 2001 relating to special termination benefits.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
General Obligation Bonds				
School Improvement Bonds 1980 7.75%	\$290,000	0	\$75,000	\$215,000
School Improvement Bonds 1995 6.124%	<u>3,355,000</u>	<u>0</u>	<u>110,000</u>	<u>3,245,000</u>
Total General Obligation Bonds	<u>3,645,000</u>	<u>0</u>	<u>185,000</u>	<u>3,460,000</u>
Compensated Absences	278,980	25,517	0	304,497
Intergovernmental Payable (Pension Liability)	<u>69,437</u>	<u>67,354</u>	<u>69,437</u>	<u>67,354</u>
Total General Long Term Obligations	<u><u>\$3,993,417</u></u>	<u><u>\$92,871</u></u>	<u><u>\$254,437</u></u>	<u><u>\$3,831,851</u></u>

On March 23, 1995, the School District entered into a school facilities loan program for the purpose of constructing school classroom facilities. This construction included two new elementary buildings and one high school building. Under the contract the School District received \$15,200,000 as provided by the State to be repaid from the proceeds of a half mill levy. The remaining funding of \$3,800,000 was received through voted general obligation bonds issued in 1995. At any time the taxes necessary to be levied to provide the debt service on the School District's net indebtedness including the bond issue plus the half mill payment to the state would decline below four mills per year, then any margin thus created between the reduced millage and four mills must be levied and repaid to the State. At the end of the twenty-three year period any remaining unpaid balance on the State loan is forgiven and written off by the State.

On October 21, 1997, the School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remainder of the classroom facilities loan to the State because the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 13 - LONG-TERM OBLIGATIONS** (Continued)

Legislation effective September 15, 2000, eliminates any possibility that money received by the School District under this program will need to be repaid regardless of the state-wide median adjusted valuation per pupil

Compensated absences, and the pension obligation will be paid from the funds from which the employees' salaries are paid.

The School District's voted legal debt margin was \$8,158,958 with an unvoted debt margin of \$124,718 at June 30, 2001.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$180,000	\$216,774	\$396,774
2003	185,000	205,470	390,470
2004	195,000	193,653	388,653
2005	125,000	184,223	309,223
2006	135,000	170,079	305,079
2007-2011	880,000	663,321	1,543,321
2012-2016	1,185,000	349,393	1,534,393
2017-2018	575,000	34,077	609,077
Total	<u>\$3,460,000</u>	<u>\$2,016,990</u>	<u>\$5,476,990</u>

**NOTE 14 - JOINT VENTURE**

Clinton County Schools Cooperative, made up of Clinton-Massie Schools, East Clinton School, 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 cooperative 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 Employees Retirement Income Security Act (ERISA) and is therefore exempt from ERISA requirements. Financial information, for the year ended June 30, 2001, relating to this joint venture is available in each of the district's central offices.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

***Miami Valley Educational Computer Association (MVECA)***

The Miami Valley Educational Computer Association (MVECA) is a governmental jointly governed organization consisting of 27 school districts. MVECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District paid MVECA \$14,640 for service provided during the fiscal year. Financial information relating to MVECA can be obtained from Gary Bosserman, Director, 320 East Enon Road, Yellow Springs, OH 45387.

***Hopewell Special Education Regional Resource Center (Hopewell)***

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 districts 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 a representative from the county board of education, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants. Financial information relating to Hopewell can be obtained from the Clinton-Fayette-Highland Educational Service District, 62 Laurel Drive, Wilmington, OH 45177.

***Great Oaks Institute of Technology and Career Development***

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

***Kenton Trace League***

Kenton Trace League provides sporting events for the students of the participating districts. The governing board consists of each participating high school principal. The Kenton Trace League does not acquire financial resources and in no way will it cause financial stress on the School District.

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS** (Continued)

**Southwestern Ohio Educational Purchasing Council (SOEPC)**

Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. SOEPC also offers a group rating plan for workers' compensation as established under section 4123.29 of the Ohio Revised Code. East Clinton participates in this group rating plan. The firm of CompManagement, Inc. administers this program for SOEPC. To obtain financial information, write to Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424. Financial information may be obtained from the Fiscal Agent, Montgomery County Board of Education, 451 W. Third Street, Dayton, OH 45422-1040.

**NOTE 16 - INSURANCE PURCHASING POOL**

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The Plan's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the Plan serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

East Clinton Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2001	(\$84,660)	\$0
Current Year Set-aside Requirement	174,018	174,018
Current Year Offsets	0	(173,622)
Qualifying Disbursements	(243,624)	(1,000)
Set-aside Reserve Balance as of June 30, 2001	<u>(\$154,266)</u>	<u>(\$604)</u>
Set-aside Balance Carried Forward to Future Years	<u>(\$154,266)</u>	<u>\$0</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for the capital acquisition, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the capital acquisition set-aside.

**NOTE 18 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". At June 30, 2000, there was no effect on fund balance as a result of implementing GASB Statement Nos. 33 and 36.

Intergovernmental receivables were restated in the school facilities capital projects fund at June 30, 2000. Contributed capital was also restated in the food services enterprise fund. These changes resulted in the following restatement of beginning fund balances:

	<u>Capital Projects Funds</u>	<u>Enterprise Fund</u>
Fund balances/Contributed capital at June 30,2000	\$314,293	\$162,562
Change in contributed capital	0	409,627
Change in intergovernmental receivables	(31,480)	0
Fund balances/Contributed capital, restated at June 30, 2000	<u>\$282,813</u>	<u>\$572,189</u>

**NOTE 19 - CONTINGENT LIABILITIES**

**Grants:**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the School District at June 30, 2001.

**NOTE 20 - SUBSEQUENT EVENT**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 10, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as a basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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**EAST CLINTON LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550	\$0	\$17,345	\$0	\$16,677
National School Breakfast Program	05-PU-00 05-PU-01	10.553	1,537 12,610		1,537 12,610	
National School Lunch Program	LL-P1 00 LL-P4 00 LL-P1 01 LL-P4-01	10.555	6,802 3,450 47,916 21,135		6,802 3,450 47,916 21,135	
Total U.S. Department of Agriculture			<u>93,449</u>	<u>17,345</u>	<u>93,449</u>	<u>16,677</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Education Consolidation and Improvement Act						
Title I - FY 00	C1-S1-00	84.010			26,047	
Title I - FY 01	C1-S1-01	84.010	182,563		153,526	
Total Title I			<u>182,563</u>	<u>0</u>	<u>179,573</u>	<u>0</u>
Special Education Cluster:						
Special Education Grants to States						
Title VI B - FY 01	6B-SF-01	84.027	73,229		64,674	
Title VI B - FY 00	6B-SF-00	84.027	24,739		25,134	
Educational Handicapped Preschool Preschool Subsidy - FY 01 Flowthru	PG-S1-01	84.173	4,336		4,336	
Total Special Education Cluster			<u>102,304</u>	<u>0</u>	<u>94,144</u>	<u>0</u>
Drug Free Schools						
Drug Free Education - Subsidy - FY 01	DR-S1-01	84.186	6,331		3,502	
Drug Free Education - Subsidy - FY 00	DR-S1-00	84.186			1,132	
Total Drug Free School Grants			<u>6,331</u>	<u>0</u>	<u>4,634</u>	<u>0</u>
Goals 2000						
Goals 2000 FY 02	G2-S2-02	84.276	14,000		0	
Goals 2000 FY 01	G2-S2-01	84.276	20,999		20,999	
Total Goals 2000 Grants			<u>34,999</u>		<u>20,999</u>	
Eisenhower Math & Science						
Math & Science Grant - FY 01	MS-S1-01	84.281	5,885		2,530	
Math & Science Grant - Professional	MS-S4-00	84.281	0		0	
Total Math & Science Grants			<u>5,885</u>	<u>0</u>	<u>2,530</u>	<u>0</u>
Innovative Educational Program Strategies						
Educational Program Strategies	C2-S1-01	84.298	5,890		2,155	
Educational Program Strategies	C2-S1-00	84.298	0		1,750	
Total Innovative Educational Program			<u>5,890</u>	<u>0</u>	<u>3,905</u>	<u>0</u>
Additional Programs:						
Class Size Reduction Subsidy - FY 01	CR-S1-01	84.340	30,562		25,106	
Class Size Reduction Subsidy - FY 00	CR-S1-00	84.340			11,097	
Total Additional Programs			<u>30,562</u>	<u>0</u>	<u>36,203</u>	<u>0</u>
Total Department of Education			<u>368,534</u>	<u>0</u>	<u>341,988</u>	<u>0</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u><b>\$ 461,983</b></u>	<u><b>\$ 17,345</b></u>	<u><b>\$ 435,437</b></u>	<u><b>\$ 16,677</b></u>

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

**EAST CLINTON LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**FISCAL YEAR ENDED JUNE 30, 2001**

**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**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education  
East Clinton Local School District  
Clinton County  
97 College Street  
Lees Creek, Ohio 45138

We have audited the general purpose financial statements of East Clinton Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 10, 2001, which indicated the District adopted Governmental Accounting Statement No. 33.. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10414-001. We also noted immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 10, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-10414-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated December 10, 2001.

This report is intended for the information of the Board of Education, management, 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.

**Jim Petro**  
Auditor of State

December 10, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
East Clinton Local School District  
Clinton County  
97 College Street  
Lees Creek, Ohio 45138

### **Compliance**

We have audited the compliance of East Clinton 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 are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on East Clinton Local School 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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, East Clinton Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2001-10414-02.

We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the District in a separate letter dated December 10, 2001.

### **Internal Control Over Compliance**

The management of East Clinton Local School District 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 have a direct and material effect on a major federal program in order 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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings as item 2001-10414-002.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above to be a material weakness.

This report is intended for the information and use of the Board of Education, management, 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.

**Jim Petro**  
Auditor of State

December 10, 2001

**EAST CLINTON LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<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>	Yes
<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>	Yes
<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>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, CFDA #84.010
<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 NUMBER 2001-10414-001**

**Noncompliance Citation/Reportable Condition**

**Ohio Rev. Code, Section 5705.41 (D)**, states that:

“No subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same...has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.”

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

Eighteen percent of the expenditures tested were not properly certified or encumbered prior to incurring the obligation. Every effort should be made by the District to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending funds. This citation is applicable from the prior audit report.

**3. FINDINGS FOR FEDERAL AWARDS**

**FINDING NUMBER 2001-10414-002**

**Noncompliance Citation/Reportable Condition**

For schools operating targeted assistance programs, 20 USC 6315 requires that a school use Title I funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing to meet the State’s challenging performance standards. Eligible children are identified on the basis of multiple, educationally-related, objective criteria established by the district and supplemented by the school. Certain categories of children are considered at risk of failing to meet the State’s student performance standards and are eligible for Title I services because of their status.

Five percent of the children reviewed for testing, who met the District’s eligibility criteria, were not served by the District under the Title I program. The District did not provide any evidence or documentation to support why these students were not selected or served under the Title I program. The District had established a policy to determine who qualifies for the Title I services and how these requirements are to be established. The Selection Criteria Policy requires that Title I classes are filled using total overall scores for ranking. Each class is filled by selecting children with the lowest scores and ranking and continuing up until all available slots are filled.



**FINDING NUMBER 2001-10414-002**  
**(Continued)**

The requirements should be documented by the District and such documentation be maintained. Contrary to the established policy, the Title I Coordinator did not maintain adequate documentation over the criteria used for students who were selected or not selected for the program. Failure to follow District policy and maintain adequate supporting documentation regarding eligibility determination could jeopardize federal funding for this program. The District should establish procedures to help ensure the Title I Coordinator maintains a complete copy of all documents used in the determination of Title I students being served by the District.

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**EAST CLINTON LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

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

**JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2000-10414-001	ORC, Section 5705.41 (D) - Expenditures were not properly certified or encumbered prior to incurring the obligation.	No	Not Corrected - Reissued as Finding 2001-10414-001.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**EAST CLINTON 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  
JANUARY 15, 2002**