



**Auditor of State
Betty Montgomery**

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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, 2002, 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 District as of June 30, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2003 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

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

Betty Montgomery
Auditor of State

January 27, 2003

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*East Clinton Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,063,799	\$430,285	\$385,794	\$452,537
Cash and Cash Equivalents With Fiscal Agents	0	0	1,104	0
Receivables:				
Taxes	2,756,394	55,025	379,182	0
Accounts	402	25	0	0
Intergovernmental	1,487	7,883	0	0
Accrued Interest	0	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
 <u>Other Debits:</u>				
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
 Total Assets and Other Debits	 \$3,822,082	 \$493,218	 \$766,080	 \$452,537

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$12,684	\$421,817	\$0	\$0	\$2,766,916
0	0	0	0	1,104
0	0	0	0	3,190,601
0	0	0	0	427
0	0	0	0	9,370
0	1,752	0	0	1,752
3,538	0	0	0	3,538
864	0	0	0	864
498,504	0	23,852,398	0	24,350,902
0	0	0	411,572	411,572
0	0	0	3,242,994	3,242,994
<u>\$515,590</u>	<u>\$423,569</u>	<u>\$23,852,398</u>	<u>\$3,654,566</u>	<u>\$33,980,040</u>

(continued)

*East Clinton Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities.</u>				
<u>Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$20,469	\$1,678	\$0	\$2,700
Accrued Wages and Benefits	694,293	46,883	0	0
Compensated Absences Payable	8,848	0	0	0
Special Termination Benefits Payable	0	0	0	0
Intergovernmental Payable	176,375	2,602	0	0
Deferred Revenue	2,582,493	59,225	353,404	0
Undistributed Monies	0	0	0	0
Matured Interest Payable	0	0	1,104	0
General Obligation Bonds Payable	0	0	0	0
	<u>3,482,478</u>	<u>110,388</u>	<u>354,508</u>	<u>2,700</u>
Total Liabilities				
<u>Fund Equity and Other Credits:</u>				
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	22,696	56,222	0	89,653
Reserved for Contributions	0	0	0	0
Reserved for Property Taxes	173,901	3,683	25,778	0
Unreserved:				
Designated for Budget Stabilization	87,029	0	0	0
Undesignated	55,978	322,925	385,794	360,184
	<u>339,604</u>	<u>382,830</u>	<u>411,572</u>	<u>449,837</u>
Total Fund Equity and Other Credits				
Total Liabilities, Fund Equity and Other Credits	<u>\$3,822,082</u>	<u>\$493,218</u>	<u>\$766,080</u>	<u>\$452,537</u>

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			
\$0	\$0	\$0	\$0	\$24,847
24,126	0	0	0	765,302
4,116	0	0	291,480	304,444
0	0	0	4,500	4,500
13,976	0	0	78,586	271,539
0	0	0	0	2,995,122
0	38,013	0	0	38,013
0	0	0	0	1,104
0	0	0	3,280,000	3,280,000
<u>42,218</u>	<u>38,013</u>	<u>0</u>	<u>3,654,566</u>	<u>7,684,871</u>
0	0	23,852,398	0	23,852,398
572,189	0	0	0	572,189
(98,817)	0	0	0	(98,817)
0	850	0	0	169,421
0	311,593	0	0	311,593
0	0	0	0	203,362
0	0	0	0	87,029
0	73,113	0	0	1,197,994
<u>473,372</u>	<u>385,556</u>	<u>23,852,398</u>	<u>0</u>	<u>26,295,169</u>
<u>\$515,590</u>	<u>\$423,569</u>	<u>\$23,852,398</u>	<u>\$3,654,566</u>	<u>\$33,980,040</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, 2002*

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
<u>Revenues:</u>						
Property Taxes	\$2,842,339	\$54,779	\$383,454	\$0	\$0	\$3,280,572
Intergovernmental	5,747,936	511,450	37,645	55,032	0	6,352,063
Interest	45,109	0	0	0	1,969	47,078
Tuition and Fees	17,778	0	0	0	0	17,778
Rent	135	0	0	0	0	135
Extracurricular Activities	0	66,029	0	0	0	66,029
Miscellaneous	234,285	59,483	0	0	0	293,768
Total Revenues	8,887,582	691,741	421,099	55,032	1,969	10,057,423
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	3,832,756	109,204	0	55,332	0	3,997,292
Special	553,522	215,545	0	0	0	769,067
Vocational	118,027	15,856	0	0	0	133,883
Other	13,939	0	0	0	0	13,939
Support Services:						
Pupils	242,890	35,243	0	0	0	278,133
Instructional Staff	565,923	86,314	0	5,365	0	657,602
Board of Education	25,407	0	0	0	0	25,407
Administration	857,437	95,869	0	0	1,593	954,899
Fiscal	176,739	1,015	7,109	0	0	184,863
Business	10,345	0	0	0	0	10,345
Operation and Maintenance of Plant	937,784	0	0	96,924	0	1,034,708
Pupil Transportation	677,083	0	0	0	0	677,083
Central	34,772	14,822	0	21,000	0	70,594
Extracurricular Activities	148,660	67,903	0	0	0	216,563
Capital Outlay	4,800	0	0	42,067	0	46,867
Debt Service:						
Principal Retirement	0	0	180,000	0	0	180,000
Interest and Fiscal Charges	0	0	216,774	0	0	216,774
Total Expenditures	8,200,084	641,771	403,883	220,688	1,593	9,468,019
Excess of Revenues Over (Under) Expenditures	687,498	49,970	17,216	(165,656)	376	589,404
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	75	0	0	0	0	75
Operating Transfers In	0	3,293	0	300,000	0	303,293
Operating Transfers Out	(303,293)	0	0	0	0	(303,293)
Total Other Financing Sources (Uses)	(303,218)	3,293	0	300,000	0	75
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	384,280	53,263	17,216	134,344	376	589,479
Fund Balances (Deficit) at Beginning of Year	(44,676)	329,567	394,356	315,493	36,949	1,031,689
Fund Balances at End of Year	\$339,604	\$382,830	\$411,572	\$449,837	\$37,325	\$1,621,168

See accompanying notes to the general purpose financial statements

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*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, 2002*

	General Fund			Special Revenue Funds			Debt Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>									
Property Taxes	\$2,896,062	\$2,896,062	\$0	\$55,881	\$55,881	\$0	\$391,172	\$391,172	\$0
Intergovernmental	5,654,394	5,747,936	93,542	512,064	515,514	3,450	37,644	37,644	0
Interest	45,500	45,906	406	0	0	0	0	0	0
Tuition and Fees	17,009	17,731	722	0	0	0	0	0	0
Rent	75	75	0	0	0	0	0	0	0
Extracurricular Activities	0	0	0	66,029	66,029	0	0	0	0
Miscellaneous	238,417	238,511	94	59,569	59,634	65	0	0	0
Total Revenues	8,851,457	8,946,221	94,764	693,543	697,058	3,515	428,816	428,816	0
<u>Expenditures:</u>									
Current:									
Instruction:									
Regular	3,800,807	3,781,975	18,832	133,085	110,615	22,470	0	0	0
Special	548,328	544,862	3,466	271,548	216,044	55,504	0	0	0
Vocational	121,245	116,983	4,262	15,856	15,856	0	0	0	0
Other	32,936	13,939	18,997	0	0	0	0	0	0
Support Services:									
Pupils	247,994	254,059	(6,065)	38,368	35,695	2,673	0	0	0
Instructional Staff	555,587	553,785	1,802	105,567	84,363	21,204	0	0	0
Board of Education	18,050	25,385	(7,335)	0	0	0	0	0	0
Administration	838,515	850,104	(11,589)	107,425	95,752	11,673	0	0	0
Fiscal	189,390	176,856	12,534	1,700	1,015	685	17,000	7,109	9,891
Business	7,581	12,669	(5,088)	0	0	0	0	0	0
Operation and Maintenance of Plant	1,005,320	958,559	46,761	35,000	32,721	2,279	0	0	0
Pupil Transportation	700,150	680,021	20,129	0	0	0	0	0	0
Central	20,000	34,772	(14,772)	18,054	14,822	3,232	0	0	0
Extracurricular Activities	124,725	148,783	(24,058)	83,678	83,549	129	0	0	0
Capital Outlay	10,500	4,800	5,700	0	0	0	0	0	0
Debt Service:									
Principal Retirement	0	0	0	0	0	0	180,000	180,000	0
Interest and Fiscal Charges	0	0	0	0	0	0	218,000	216,774	1,226
Total Expenditures	8,221,128	8,157,552	63,576	810,281	690,432	119,849	415,000	403,883	11,117
Excess of Revenues Over (Under) Expenditures	630,329	788,669	158,340	(116,738)	6,626	123,364	13,816	24,933	11,117
<u>Other Financing Sources (Uses):</u>									
Proceeds from Sale of Fixed Assets	75	75	0	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0	0	0	0
Operating Transfers In	0	0	0	3,293	3,293	0	0	0	0
Operating Transfers Out	(305,000)	(303,293)	1,707	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(304,925)	(303,218)	1,707	3,293	3,293	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	325,404	485,451	160,047	(113,445)	9,919	123,364	13,816	24,933	11,117
Fund Balances at Beginning of Year	471,812	471,812	0	324,536	324,536	0	360,861	360,861	0
Prior Year Encumbrances Appropriated	71,954	71,954	0	38,333	38,333	0	0	0	0
Fund Balances at End of Year	\$869,170	\$1,029,217	\$160,047	\$249,424	\$372,788	\$123,364	\$374,677	\$385,794	\$11,117

See accompanying notes to the general purpose financial statements

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)
\$0	\$0	\$0	\$0	\$0	\$0	\$3,343,115	\$3,343,115	\$0
46,360	55,032	8,672	0	0	0	6,250,462	6,356,126	105,664
0	0	0	1,969	1,969	0	47,469	47,875	406
0	0	0	0	0	0	17,009	17,731	722
0	0	0	0	0	0	75	75	0
0	0	0	0	0	0	66,029	66,029	0
0	0	0	0	0	0	297,986	298,145	159
<u>46,360</u>	<u>55,032</u>	<u>8,672</u>	<u>1,969</u>	<u>1,969</u>	<u>0</u>	<u>10,022,145</u>	<u>10,129,096</u>	<u>106,951</u>
56,360	55,233	1,127	0	0	0	3,990,252	3,947,823	42,429
0	0	0	0	0	0	819,876	760,906	58,970
0	0	0	0	0	0	137,101	132,839	4,262
0	0	0	0	0	0	32,936	13,939	18,997
0	0	0	0	0	0	286,362	289,754	(3,392)
5,365	5,365	0	0	0	0	666,519	643,513	23,006
0	0	0	0	0	0	18,050	25,385	(7,335)
0	0	0	5,000	2,443	2,557	950,940	948,299	2,641
0	0	0	0	0	0	208,090	184,980	23,110
0	0	0	0	0	0	7,581	12,669	(5,088)
250,000	186,577	63,423	0	0	0	1,290,320	1,177,857	112,463
0	0	0	0	0	0	700,150	680,021	20,129
21,000	21,000	0	0	0	0	59,054	70,594	(11,540)
0	0	0	0	0	0	208,403	232,332	(23,929)
42,500	42,067	433	0	0	0	53,000	46,867	6,133
0	0	0	0	0	0	180,000	180,000	0
0	0	0	0	0	0	218,000	216,774	1,226
<u>375,225</u>	<u>310,242</u>	<u>64,983</u>	<u>5,000</u>	<u>2,443</u>	<u>2,557</u>	<u>9,826,634</u>	<u>9,564,552</u>	<u>262,082</u>
<u>(328,865)</u>	<u>(255,210)</u>	<u>73,655</u>	<u>(3,031)</u>	<u>(474)</u>	<u>2,557</u>	<u>195,511</u>	<u>564,544</u>	<u>369,033</u>
0	0	0	0	0	0	75	75	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
300,000	300,000	0	0	0	0	303,293	303,293	0
0	0	0	0	0	0	(305,000)	(303,293)	1,707
<u>300,000</u>	<u>300,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,632)</u>	<u>75</u>	<u>1,707</u>
(28,865)	44,790	73,655	(3,031)	(474)	2,557	193,879	564,619	370,740
298,354	298,354	0	36,797	36,797	0	1,492,360	1,492,360	0
17,140	17,140	0	0	0	0	127,427	127,427	0
<u>\$286,629</u>	<u>\$360,284</u>	<u>\$73,655</u>	<u>\$33,766</u>	<u>\$36,323</u>	<u>\$2,557</u>	<u>\$1,813,666</u>	<u>\$2,184,406</u>	<u>\$370,740</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, 2002

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<u>Operating Revenues:</u>			
Sales	\$245,465	\$0	\$245,465
Interest	0	17,120	17,120
Total Operating Revenues	<u>245,465</u>	<u>17,120</u>	<u>262,585</u>
<u>Operating Expenses:</u>			
Salaries	126,808	209	127,017
Fringe Benefits	55,059	0	55,059
Purchased Services	6,486	1,352	7,838
Materials and Supplies	159,477	4,667	164,144
Cost of Sales	31,234	0	31,234
Depreciation	27,837	0	27,837
Other	0	3,169	3,169
Total Operating Expenses	<u>406,901</u>	<u>9,397</u>	<u>416,298</u>
Operating Income (Loss)	<u>(161,436)</u>	<u>7,723</u>	<u>(153,713)</u>
<u>Non-Operating Revenues:</u>			
Federal Donated Commodities	18,492	0	18,492
Federal and State Subsidies	114,260	0	114,260
Other Non-Operating Revenues	2,314	0	2,314
Total Non-Operating Revenues	<u>135,066</u>	<u>0</u>	<u>135,066</u>
Net Income (Loss)	<u>(26,370)</u>	<u>7,723</u>	<u>(18,647)</u>
Retained Earnings (Deficit)/Fund Balance at Beginning of Year	<u>(72,447)</u>	<u>340,508</u>	<u>268,061</u>
Retained Earnings (Deficit)/Fund Balance at End of Year	<u>(98,817)</u>	<u>348,231</u>	<u>249,414</u>
Contributed Capital at Beginning and End of Year	<u>572,189</u>	<u>0</u>	<u>572,189</u>
Total Fund Equity at End of Year	<u>\$473,372</u>	<u>\$348,231</u>	<u>\$821,603</u>

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, 2002

	Enterprise Fund			Nonexpendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Sales	\$245,465	\$245,465	\$0	\$0	\$0	\$0
Federal and State Subsidies	114,260	114,260	0	0	0	0
Interest	0	0	0	13,818	16,267	2,449
Total Revenues	<u>359,725</u>	<u>359,725</u>	<u>0</u>	<u>13,818</u>	<u>16,267</u>	<u>2,449</u>
<u>Expenses:</u>						
Salaries	130,000	127,272	2,728	0	209	(209)
Fringe Benefits	51,050	53,920	(2,870)	0	0	0
Purchased Services	4,700	6,737	(2,037)	1,200	1,352	(152)
Materials and Supplies	174,285	170,173	4,112	13,961	5,323	8,638
Capital Outlay	0	0	0	4,000	1,500	2,500
Other	0	0	0	2,500	1,669	831
Total Expenses	<u>360,035</u>	<u>358,102</u>	<u>1,933</u>	<u>21,661</u>	<u>10,053</u>	<u>11,608</u>
Excess of Revenues Over (Under) Expenses	(310)	1,623	1,933	(7,843)	6,214	14,057
Fund Equity at Beginning of Year	11,061	11,061	0	336,271	336,271	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>161</u>	<u>161</u>	<u>0</u>
Fund Equity at End of Year	<u>\$10,751</u>	<u>\$12,684</u>	<u>\$1,933</u>	<u>\$328,589</u>	<u>\$342,646</u>	<u>\$14,057</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, 2002*

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$245,465	\$0	\$245,465
Cash Payments to Suppliers for Goods and Services	(176,911)	(9,844)	(186,755)
Cash Payments to Employees for Services	(127,271)	(206)	(127,477)
Cash Payments for Employee Benefits	(53,920)	(3)	(53,923)
Net Cash Used for Operating Activities	<u>(112,637)</u>	<u>(10,053)</u>	<u>(122,690)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	<u>114,260</u>	<u>0</u>	<u>114,260</u>
<u>Cash Flows from Investing Activities:</u>			
Interest on Investments	<u>0</u>	<u>18,341</u>	<u>18,341</u>
Net Increase in Cash and Cash Equivalents	1,623	8,288	9,911
Cash and Cash Equivalents at Beginning of Year	<u>11,061</u>	<u>338,343</u>	<u>349,404</u>
Cash and Cash Equivalents at End of Year	<u><u>\$12,684</u></u>	<u><u>\$346,631</u></u>	<u><u>\$359,315</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u>			
Operating Income (Loss)	<u>(\$161,436)</u>	<u>\$7,723</u>	<u>(\$153,713)</u>
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities</u>			
Depreciation	27,837	0	27,837
Donated Commodities Used During Year	19,373	0	19,373
Interest Received by Nonexpendable Trust	0	(17,120)	(17,120)
<u>Changes in Assets and Liabilities:</u>			
(Increase) in Materials and Supplies Inventory	(523)	0	(523)
Decrease in Inventory Held for Resale	1,688	0	1,688
Decrease in Accounts Payable	(251)	(656)	(907)
Increase in Accrued Wages and Benefits	1,601	0	1,601
(Decrease) in Compensated Absences Payable	(1,060)	0	(1,060)
Increase in Intergovernmental Payable	<u>134</u>	<u>0</u>	<u>134</u>
Total Adjustments	<u>48,799</u>	<u>(17,776)</u>	<u>31,023</u>
Net Cash Used for Operating Activities	<u><u>(\$112,637)</u></u>	<u><u>(\$10,053)</u></u>	<u><u>(\$122,690)</u></u>

Reconciliation of Nonexpendable Trust Fund to Balance Sheet

Cash and Cash Equivalents - All Fiduciary Funds	\$421,817
Cash and Cash Equivalents - Agency Funds	(38,013)
Cash and Cash Equivalents - Expendable Trust Fund	<u>(37,173)</u>
Cash and Cash Equivalents - Nonexpendable Trust Fund	<u><u>\$346,631</u></u>

Non-Cash Transactions

During fiscal year 2002, the School District received \$18,492 in federal donated commodities.

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, 2002

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 75 non-certified employees, 100 teaching personnel and 7 administrative employees providing education to 1,543 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 13, 14 and 15 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, 2002

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, 2002

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 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 (e.g., revenues) and decreases (e.g., 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 and agency funds. The full accrual basis of accounting is followed for the proprietary 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 5.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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, 2002

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, tuition, student fees, charges for services, grants, and investment earnings.

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, 2002, but which were levied to finance fiscal year 2003 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.

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.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in effect at the time the final appropriations were passed.

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.

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 at the fund level, other than agency funds, consistent with statutory provisions.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2002, the School District's investments were limited to certificates of deposit, Federal Home Loan Bank bonds, Federal National Mortgage Association bonds, U.S. Treasury notes, money market mutual funds and repurchase agreements. 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 2002 amounted to \$45,109, which includes \$26,164 assigned from other School District funds.

For purposes of the statement of cash flows the enterprise and nonexpendable trust fund portions of Equity in Pooled Cash and Cash Equivalents are considered a cash equivalent because the School District can access their balance of the pool at any time without any prior notice or penalty.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. For governmental funds, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and special termination benefits 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.

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.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Beginning in 2001, *GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions,"* requires that these types of contributions be recognized as revenues.

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 - 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).

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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	\$384,280	\$53,263	\$17,216	\$134,344	\$376
Adjustments:					
Revenue Accruals	58,640	5,316	7,717	0	0
Expenditure Accruals	77,113	8,837	0	2,700	0
Encumbrances	(34,582)	(57,497)	0	(92,254)	(850)
Budget Basis	<u>\$485,451</u>	<u>\$9,919</u>	<u>\$24,933</u>	<u>\$44,790</u>	<u>(\$474)</u>

Net Income (Loss)/Excess of Revenues
Over (Under)/Expenses
Proprietary Fund Type and Nonexpendable Trust

	Enterprise	Nonexpendable Trust
GAAP Basis	(\$26,370)	\$7,723
Adjustments:		
Revenue Accruals	(2,314)	(853)
Expenditure Accruals	20,962	(656)
Federal Donated Commodities	(18,492)	0
Depreciation	27,837	0
Budget Basis	<u>\$1,623</u>	<u>\$6,214</u>

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage 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;

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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.

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 \$15,572 and the bank balance was \$160,606. Of the bank balance:

- (1) \$100,000 was covered by federal depository insurance; and
- (2) \$60,606 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.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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.

	Category 3	Fair Value
Federal Home Loan Bank Bonds	\$152,407	\$152,407
Federal National Mortgage Association Bonds	100,390	100,390
U.S. Treasury Notes	41,100	41,100
Money Market Mutual Funds	0	1,257,074
Repurchase Agreements	1,201,477	1,201,477
Totals	\$1,495,374	\$2,752,448

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
<i>GASB Statement No. 9</i>	\$2,768,020	\$0
Investments:		
Federal Home Loan Bank Bonds	(152,407)	152,407
Federal National Mortgage Association Bonds	(100,390)	100,390
U.S. Treasury Notes	(41,100)	41,100
Money Market Mutual Funds	(1,257,074)	1,257,074
Repurchase Agreements	(1,201,477)	1,201,477
<i>GASB Statement No. 3</i>	\$15,572	\$2,752,448

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - 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 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected and intended to finance fiscal year 2003.

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. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. 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, 2002

NOTE 5- PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$103,232,980	82.77%	\$94,024,520	82.07%
Public Utility	7,693,450	6.17%	6,360,450	5.55%
Tangible Personal Property	13,791,372	11.06%	14,184,016	12.38%
Total Assessed Value	<u>\$124,717,802</u>	<u>100.00%</u>	<u>\$114,568,986</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.06		\$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, 2002, are available to finance fiscal year 2002 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, 2002. 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, 2002, was \$173,901 in the General Fund, \$3,683 in the Classroom Facilities Maintenance Special Revenue Fund, and \$25,778 in the Debt Service Fund.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts, intergovernmental grants and interest. 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>General Fund</i>	
Reimbursement	\$1,487
<i>Special Revenue Funds</i>	
Eisenhower	887
Title VI	3,191
Class Size Reduction	3,805
Total Special Revenue Funds	<u>7,883</u>
Total Intergovernmental Receivables	<u><u>\$9,370</u></u>

NOTE 7 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$600,700
Less Accumulated Depreciation	(102,196)
Net Fixed Assets	<u><u>\$498,504</u></u>

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 7 - FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	June 30, 2001	Additions	Deductions	June 30, 2002
Land	\$296,976	\$42,500	\$0	\$339,476
Buildings and Improvements	19,229,435	406,636	0	19,636,071
Furnitures, Fixtures and Equipment	2,517,715	0	212,869	2,304,846
Vehicles	1,027,731	118,764	43,903	1,102,592
Improvements Other than Buildings	317,295	152,118	0	469,413
Totals	<u>\$23,389,152</u>	<u>\$720,018</u>	<u>\$256,772</u>	<u>\$23,852,398</u>

NOTE 8 - 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 2002, the School District contracted with Acordia/McEloy for property insurance, and Nationwide Insurance Company for fleet and liability insurance. Coverages provided at June 30, 2002 are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$25,830,881
Inland Marine Coverage (\$250 deductible) - Each location	672,642
Valuable Papers (\$100 deductible)	100,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorist (\$250 deductible)	500,000
General Liability	
Per Occurrence	1,000,000
Total per Year	3,000,000

There has been a 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, 2002

NOTE 8 - RISK MANAGEMENT (Continued)

For fiscal year 2002 the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP, an insurance purchasing pool (Note 15). The GRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. 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 GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The school districts apply for participation each year. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

NOTE 9 - 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 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, 2002, 2001, and 2000 were \$88,955, \$44,248, and \$53,628, respectively; 56.80 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$38,425 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and 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, 2002

NOTE 9 - 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, 2002, 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. 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, 2002, 2001, and 2000 were \$427,860, \$403,946, and \$218,636, respectively; 83.75 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$69,516 representing the unpaid contribution for fiscal year 2002 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, 2002, 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 10 - 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, 2002

NOTE 10 - 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, 2002, 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 \$202,670 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, 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 2002 fiscal year equaled \$162,200.

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, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits 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. 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. At June 30, 2002 the District had Special Termination Benefits Payable of \$4,500.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Amount Outstanding 6/30/01	Additions	Deductions	Amount Outstanding 6/30/02
General Obligation Bonds				
School Improvement Bonds				
1980 7.75%	\$215,000	\$0	\$70,000	\$145,000
School Improvement Bonds				
1995 6.124%	3,245,000	0	110,000	3,135,000
Total General Obligation Bonds	<u>3,460,000</u>	<u>0</u>	<u>180,000</u>	<u>3,280,000</u>
Compensated Absences Payable	304,497	0	13,017	291,480
Special Termination Benefits	0	4,500	0	4,500
Intergovernmental Payable (Pension Liability)	67,354	78,586	67,354	78,586
Total General Long Term Obligations	<u>\$3,831,851</u>	<u>\$83,086</u>	<u>\$260,371</u>	<u>\$3,654,566</u>

School Improvement Bonds 1981

The School District issued \$1,640,000 in voted general obligation bonds for the purpose of making improvements to the School District's facilities. The bonds were issued for a twenty-three year period with final maturity on December 1, 2003.

School Improvement Bonds 1995

The School District issued \$3,800,000 in voted general obligation bonds for the purpose of making improvements to the School District's facilities. The bonds were issued for a twenty-three year period with final maturity on December 1, 2021.

Compensated absences, special termination benefits, 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 \$7,442,781 with an unvoted debt margin of \$114,569 at June 30, 2002.

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

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
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	155,000	155,016	310,016
2007-2012	935,000	605,120	1,540,120
2013-2017	1,255,000	278,026	1,533,026
2018	295,000	8,629	303,629
Total	<u>\$3,280,000</u>	<u>\$1,800,216</u>	<u>\$5,080,216</u>

NOTE 13 - 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, 2002, relating to this joint venture is available in each of the district's central offices.

NOTE 14 - 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 \$63,414 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.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

Southwestern Ohio Educational Purchasing Council (SOEPC)

Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. 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.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. 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. During fiscal year 2002, the School District paid \$5,144 to 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.

NOTE 15 - 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 16 - 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, 2002

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

	<u>Textbook</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2001	(\$154,266)	\$0
Current Year Set-Aside Requirements	178,302	178,302
Current Year Off-Sets	0	(361,259)
Qualifying Disbursements	<u>(253,455)</u>	<u>0</u>
Set-aside Reserve Balance as of June 30, 2002	<u>(\$229,419)</u>	<u>(\$182,957)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$229,419)</u>	<u>\$0</u>

The School District had offsets for capital acquisition during the year that reduced the set-aside amount below zero. This extra amount may not be used to reduce the set-aside requirement of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year. The School District had qualifying disbursements for textbooks during the year that reduced the set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years.

NOTE 17 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

East Clinton Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 18 - 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, 2002.

Litigation:

The School District is not currently party to legal proceedings.

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550	\$0	\$18,491	\$0	\$19,372
National School Breakfast Program	05-PU-2001	10.553	1,314	----	1,314	----
	05-PU-2002		12,111	----	12,111	----
National School Lunch	LLP4-2001	10.555	13,299	----	13,299	----
	LLP4-2002		81,052	----	81,052	----
Total U.S. Department of Agriculture			107,776	18,491	107,776	19,372
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education:</i>						
Education Consolidation and Improvement Act						
Title I - FY 01	C1-S1-01	84.010	----	----	29,037	----
Title I - FY 02	C1-S1-02	84.010	217,018	----	157,570	----
<i>Total Title I</i>			217,018	0	186,607	0
Special Education Cluster:						
Special Education Grants to States						
Title VI B - FY	6B-SF-01	84.027	----	----	8,555	----
Title VI B - FY	6B-SF-02	84.027	91,382	----	81,138	----
Educational Handicapped Preschool Preschool Subsidy - FY 02	PGS1-01	84.173	4,684	----	4,684	----
<i>Total Special Education Cluster</i>			96,066	0	94,377	0
Goals 2000						
Goals 2000 - FY 02	G2-S2-02	84.276	----	----	12,551	----
<i>Total Goals 2000</i>			0	0	12,551	0
Drug Free Schools						
Drug Free Education - Subsidy - FY 01	DR-S1-01	84.186	----	----	2,829	----
Drug Free Education - Subsidy - FY 02	DR-S1-02	84.186	5,901	----	5,601	----
<i>Total Drug Free School Grants</i>			5,901	0	8,430	0
Eisenhower Math & Science						
Math & Science Grant - FY 01	MS-S1-01	84.281	654	----	4,009	----
Math & Science Grant - FY 02	MS-S1-02	84.281	7,988	----	266	----
<i>Total Math & Science Grants</i>			8,642	0	4,275	0
Innovative Educational Program Strategies						
Educational Program Strategies	C2-S1-01	84.298	1,666	----	4,197	----
Educational Program Strategies	C2-S1-02	84.298	4,586	----	2,156	----
<i>Total Innovative Ed</i>			6,252	0	6,353	0
Additional Programs:						
Class Size Reduction - FY 01	CR-S1-01	84.340	3,410	----	7,433	----
Class Size Reduction - FY 02	CR-S1-02	84.340	44,964	----	32,239	----
Assistive Technology - FY 02	AT-S1-02	84.224	4,971	----	4,909	----
<i>Total Additional Programs</i>			53,345	0	44,581	0
Total Department of Education			387,224	0	357,174	0
TOTAL FEDERAL FINANCIAL ASSISTANCE			495,000	18,491	464,950	19,372

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, 2002**

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

Non-monetary 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, 2002, the District had no significant food commodities in inventory.



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

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

To the Board of Education:

We have audited the financial statements of the East Clinton Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated January 27, 2003. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 27, 2003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 27, 2003.

This report is intended for the information and use of the District's elected officials, 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.

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

Betty Montgomery
Auditor of State

January 27, 2003



**Auditor of State
Betty Montgomery**

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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**

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

To the Board of Education:

Compliance

We have audited the compliance of the 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 each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are 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 its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on 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, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the District's elected officials, 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.

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

Betty Montgomery
Auditor of State

January 27, 2003

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, CFDA # 84.010, Nutrition Cluster: Food Distribution Program, CFDA # 10.550, Nation School Lunch Program, CFDA # 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10414-01	Ohio Rev. Code, Section 5705.41(D), expenditures were not properly encumbered or certified.	Yes	
2001-10414-02	The District's Federal Coordinator did not maintain documentation over the criteria used for students who were selected or not selected for the Title I program.	Yes	



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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
FEBRUARY 13, 2003**