

Claymont City School District

Tuscarawas County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2012



Dave Yost • Auditor of State

Board of Education
Claymont City School District
201 N. Third St.
Dennison, Ohio 44621

We have reviewed the *Independent Auditor's Report* of the Claymont City School District, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 11, 2013

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CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO

JUNE 30, 2012

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**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

JUNE 30, 2012

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November 15, 2012

The Board of Education
Claymont City School District
201 N. Third St.
Dennison, Ohio 44621

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Claymont City School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the District, as of June 30, 2012, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the general fund, thereof 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 November 15, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hea & Associates, Inc.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The management's discussion and analysis of the Claymont City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets of governmental activities decreased \$947,168 which represents a 4.68% decrease from 2011.
- General revenues accounted for \$15,423,112 in revenue or 72.96% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,717,431 or 27.04% of total revenues of \$21,140,543.
- The District had \$22,087,711 in expenses related to governmental activities; only \$5,717,431 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,423,112 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$17,684,834 in revenues and \$17,283,983 in expenditures. During fiscal year 2012, the general fund's fund balance increased \$400,851 from a beginning fund balance of \$1,432,795 to \$1,833,646.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, extracurricular activities, food service operations and other non-instructional services.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between the government as a whole, as reported in the statement of net assets and the statement of activities, and the governmental funds are reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in the statements of fiduciary net assets and changes in fiduciary net assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-52 of this report.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2012 and 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Assets</u>		
Current and other assets	\$ 8,749,595	\$ 9,563,891
Capital assets, net	<u>20,080,220</u>	<u>20,809,103</u>
Total assets	<u>28,829,815</u>	<u>30,372,994</u>
<u>Liabilities</u>		
Current liabilities	5,023,707	5,546,994
Long-term liabilities	<u>4,495,702</u>	<u>4,568,426</u>
Total liabilities	<u>9,519,409</u>	<u>10,115,420</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	17,408,137	17,732,941
Restricted	1,156,905	2,014,939
Unrestricted	<u>745,364</u>	<u>509,694</u>
Total net assets	<u>\$ 19,310,406</u>	<u>\$ 20,257,574</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$19,310,406. Of this total, \$745,364 is unrestricted in use.

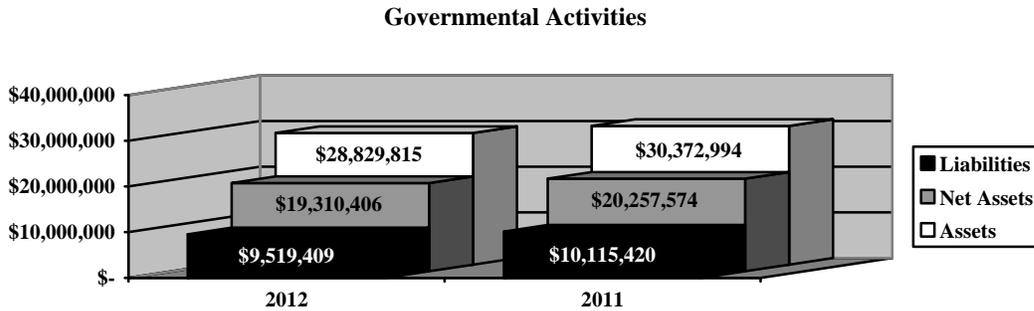
At year-end, capital assets represented 69.65% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$17,408,137. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,156,905, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$745,364 may be used to meet the District's ongoing obligations to students and creditors.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The graph below shows the District's governmental activities assets, liabilities and net assets as of June 30, 2012 and 2011:



Fiscal year 2012 revenues were 5.20% lower than in the prior year, the largest contributing factor of which was a net 32.54% decrease in State and federal operating grants and contributions. The primary components of this change in grant revenues were decreases of \$682,238, \$1,010,712 and \$361,233 related to the Education Jobs and Medicaid Assistance Act, the American Recovery and Reinvestment Act of 2009 and IDEA Part B federal funding, respectively. Charges for services program revenues increased 9.63% during 2012 due to increased tuition collections and higher revenues from students fees for extracurricular activities.

The table below shows the change in net assets for fiscal years 2012 and 2011.

Change in Net Assets

	Governmental Activities 2012	Governmental Activities 2011
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,548,612	\$ 1,412,538
Operating grants and contributions	4,168,819	6,179,632
General revenues:		
Property taxes	3,600,851	3,397,990
Revenue in lieu of taxes	10,000	7,488
Grants and entitlements	11,801,587	11,278,409
Investment earnings	3,085	5,212
Other	7,589	18,980
Total revenues	<u>21,140,543</u>	<u>22,300,249</u>

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 10,131,269	\$ 10,015,554
Special	2,832,759	2,722,377
Vocational	91,824	113,754
Other	30,611	7,882
Support services:		
Pupil	1,005,180	973,110
Instructional staff	1,525,913	1,353,488
Board of education	22,178	40,159
Administration	1,488,081	1,488,353
Fiscal	389,684	348,821
Business	71,230	109,598
Operations and maintenance	1,967,395	2,033,005
Pupil transportation	765,432	789,547
Central	54,197	406,823
Operations of non-instructional services:		
Food service operations	857,112	880,594
Other non-instructional services	92,640	82,173
Extracurricular activities	581,149	551,676
Interest and fiscal charges	<u>181,057</u>	<u>205,248</u>
Total expenses	<u>22,087,711</u>	<u>22,122,162</u>
Change in net assets	(947,168)	178,087
Net assets at beginning of year	<u>20,257,574</u>	<u>20,079,487</u>
Net assets at end of year	<u>\$ 19,310,406</u>	<u>\$ 20,257,574</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$947,168. Total governmental expenses of \$22,087,711 were offset by program revenues of \$5,717,431 and general revenues of \$15,423,112. Program revenues supported 25.89% of the total governmental expenses.

There were no significant changes in total expenses from fiscal year 2011 to 2012; however, during the year there were many central support services expenses that were reviewed and determined to be better allocated to other functions. The majority of these expenses were related to technology fees and educational media services that were reclassified to instructional expenses.

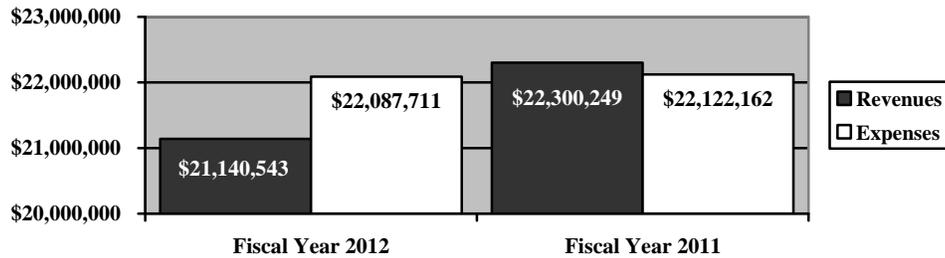
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 72.86% of total governmental revenue.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The largest expense of the District is for instructional programs. Instruction expenses totaled \$13,086,463 or 59.25% of total governmental expenses for fiscal year 2012. The graph below presents the District's governmental activities revenues and expenses for fiscal year 2012 and 2011.

Governmental Activities - Revenues and Expenses



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

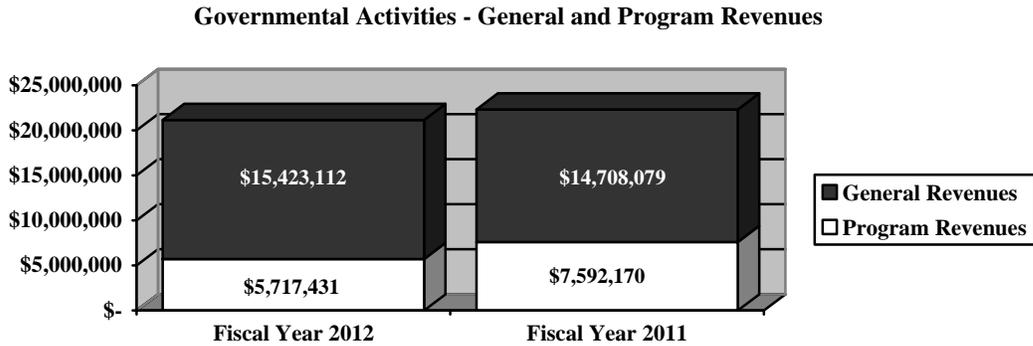
	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
Program expenses				
Instruction:				
Regular	\$ 10,131,269	\$ 8,716,064	\$ 10,015,554	\$ 7,035,607
Special	2,832,759	170,615	2,722,377	281,213
Vocational	91,824	30,635	113,754	52,565
Other	30,611	30,611	7,882	(3,612)
Support services:				
Pupil	1,005,180	857,466	973,110	795,892
Instructional staff	1,525,913	1,388,061	1,353,488	900,489
Board of education	22,178	22,178	40,159	40,159
Administration	1,488,081	1,401,728	1,488,353	1,227,648
Fiscal	389,684	389,684	348,821	348,821
Business	71,230	71,230	109,598	109,598
Operations and maintenance	1,967,395	1,955,078	2,033,005	2,024,545
Pupil transportation	765,432	738,858	789,547	757,305
Central	54,197	53,727	406,823	353,853
Operations of non-instructional services:				
Food service operations	857,112	(28,448)	880,594	26,030
Other non-instructional services	92,640	23,738	82,173	(8,263)
Extracurricular activities	581,149	367,998	551,676	382,894
Interest and fiscal charges	181,057	181,057	205,248	205,248
Total expenses	<u>\$ 22,087,711</u>	<u>\$ 16,370,280</u>	<u>\$ 22,122,162</u>	<u>\$ 14,529,992</u>

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The dependence upon tax and other general revenues for governmental activities is apparent, as 68.38% of instruction activities are supported through taxes, grants and entitlements and other general revenues. For all governmental activities, general revenue support is 74.11%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2012 and 2011.



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,868,422, which is 14.25% higher than last year's total balances of \$2,510,730. The schedule below indicates the fund balances as of June 30, 2012 and June 30, 2011 and the net changes during fiscal year 2012.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase (Decrease)
General	\$ 1,833,646	\$ 1,432,795	\$ 400,851
Other Governmental	<u>1,034,776</u>	<u>1,077,935</u>	<u>(43,159)</u>
Total	<u>\$ 2,868,422</u>	<u>\$ 2,510,730</u>	<u>\$ 357,692</u>

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

General Fund

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2012 Amount	2011 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 3,136,569	\$ 2,977,380	\$ 159,189	5.35 %
Revenue in lieu of taxes	10,000	7,488	2,512	33.55 %
Tuition	1,112,709	1,018,127	94,582	9.29 %
Earnings on investments	3,085	5,199	(2,114)	(40.66) %
Intergovernmental	13,279,910	12,690,134	589,776	4.65 %
Other revenues	142,561	116,788	25,773	22.07 %
Total	<u>\$ 17,684,834</u>	<u>\$ 16,815,116</u>	<u>\$ 869,718</u>	5.17 %
<u>Expenditures</u>				
Instruction	\$ 10,027,543	\$ 10,051,192	\$ (23,649)	(0.24) %
Support services	6,762,178	6,470,140	292,038	4.51 %
Extracurricular activities	456,830	429,899	26,931	6.26 %
Capital outlay	-	121,931	(121,931)	100.00 %
Debt service	37,432	73,984	(36,552)	(49.41) %
Total	<u>\$ 17,283,983</u>	<u>\$ 17,147,146</u>	<u>\$ 136,837</u>	0.80 %

Total general fund revenues increased by 5.17% over the prior fiscal year. General fund tax revenues increased 5.35% due to greater collections during 2012 and higher advances available from the Tuscarawas County auditor at June 30, 2012; both of these factors may fluctuate year-to-year due to the timing of property tax collections. Tuition increased by 9.29% due to a \$127,015 increase in revenue from services performed for other Districts offsetting a decrease of \$32,433 related to open enrollment. Revenue in lieu of taxes related to tax abatements received by the District from Aleris International, Inc. increased by \$2,512, while earnings on investments decreased \$2,114 due to lower earnings on the District's depository and State Treasury Asset Reserve of Ohio (STAR Ohio) accounts during the year. Intergovernmental revenue in the general fund increased 4.65%. Foundation payments to the District from the State of Ohio increased \$809,795, which compensated for an 84.46% or \$228,757 reduction in tangible personal property tax reimbursements due to House Bill 153, which eliminated the tangible personal property tax base. The remaining variance in intergovernmental revenue is attributable to a net increase in homestead & rollback, State grants and federal reimbursements made to the District. The increase in other revenues resulted from increased charges to students assessed by the District for extracurricular activities and classroom materials.

Support services expenditures increased 4.51% due primarily to higher employee salaries and benefits for instructional staff. Pupil transportation support services expenditures decreased substantially from 2011, as in the prior year this amount included payments for the purchase of school buses which were reflected as function expenditures and not capitalized on a modified accrual basis. Additionally, central support services expenditures decreased due to reduced payments for employee salaries and benefits, supplies, and equipment purchases. Lower spending in the areas of pupil transportation and central support services compensated partially for increased instructional staff expenditures.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The District spent 6.26% more for employee benefits and equipment related to extracurricular activities during 2012. Additionally, in 2011 the District traded-in fourteen capital leases for copier equipment before the end of the lease terms, while only scheduled principal and interest payments associated with the replacement leases are included as general fund debt service expenditures in 2012; the difference of these is a decrease in general fund debt service expenditures of \$36,552 or 49.41%. Capital outlay was also included for the new capital leases during fiscal year 2011, while there were no such transactions in fiscal year 2012.

General Fund Budgeting Highlights

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

For the general fund in fiscal year 2012, both final budgeted revenues and original budgeted revenues, including other financing sources, were \$16,517,500. Actual revenues and other financing sources of \$17,634,741 were \$1,117,241 higher than final budgeted revenues. Most of this variance is based on higher than expected intergovernmental receipts.

General fund final appropriations (appropriated expenditures plus other financing uses) were \$18,644,737, representing a budget increase of \$1,000,000 in regular instruction, administration, and operations and maintenance expenditures over original budgeted expenditures and other financing uses of \$17,644,737. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$18,009,636 and were \$635,101 lower than the final budget appropriations. Most of this variance is due to instructional expenditures being under budget and offset by fiscal and instructional staff support services expenditures coming in over expected amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$20,080,220 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in the District's governmental activities.

The following table shows fiscal year 2012 balances compared to 2011:

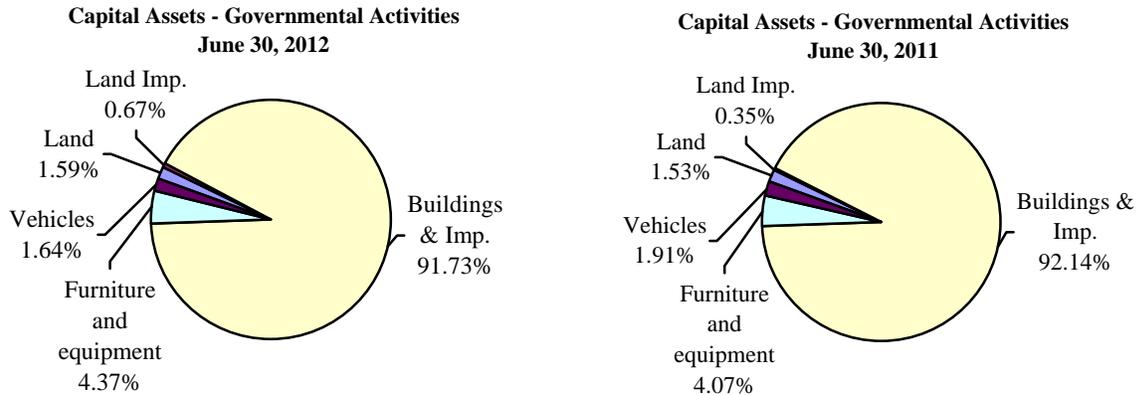
	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 318,293	\$ 318,293
Land improvements	135,314	73,507
Building and improvements	18,420,493	19,173,526
Furniture and equipment	876,520	846,979
Vehicles	<u>329,600</u>	<u>396,798</u>
Total	<u>\$ 20,080,220</u>	<u>\$ 20,809,103</u>

The District's capital assets, net of accumulated depreciation, decreased by \$728,883 due to depreciation expense of \$1,022,254 exceeding total capital outlays of \$293,371.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The graphs below present the District's capital assets, net of accumulated depreciation, at the end of fiscal year 2012 compared to 2011.



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

Debt Administration

At June 30, 2012 the District had \$2,885,536 in general obligation bonds (the issue is comprised of current issue bonds and capital appreciation bonds) and \$116,284 in capital lease obligations outstanding. Of this total, \$374,184 is due within one year and \$2,627,636 is due in greater than one year.

The following table summarizes the bonds and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2012	Governmental Activities 2011
Current interest bonds	\$ 2,265,000	\$ 2,600,000
Capital appreciation bonds	620,536	529,397
Capital lease obligations	<u>116,284</u>	<u>143,231</u>
Total	<u>\$ 3,001,820</u>	<u>\$ 3,272,628</u>

At June 30, 2012 the District's overall legal debt margin was \$11,475,200 (including available funds of \$497,300) and an unvoted debt margin of \$149,417.

See Note 10 to the basic financial statements for detail regarding the District's debt administration.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Current Financial Related Activities

Due to the commitment of the Board of Education and administration, the District has carefully managed its general fund budgets in order to optimally utilize the dollars available to educate the students it serves while minimizing the need for additional property tax millage. The unencumbered budgetary basis balance of the general fund was \$2,646,032 at June 30, 2012.

During tax years 2006 through 2010 the State of Ohio reduced the tangible personal property tax base until it was completely eliminated during the District's fiscal year 2011. The State made provisions to hold the school districts harmless until 2012 and then phase-out supplementary aid during the period 2013 through 2017; however, as a result of the new State budget beginning in fiscal year 2012, the District lost the entire "hold harmless" amount of \$233,035. The State instituted a new Commercial Activity Tax (CAT) on businesses that offsets this loss, though due to current economic conditions the CAT revenues, State and federal income tax revenues and other revenues that aid school funding has decreased.

In 2012 school districts were guaranteed State foundation funding equal to that which was received in fiscal year 2011, excluding State Fiscal Stabilization funds. The same guarantee holds true for fiscal year 2013. One concern for the future is the lack of economic growth in the State of Ohio, causing the State to administer budget reductions. Another concern is that of the economic status of the United States as a whole and the outlook and parameters concerning the long-term availability of intergovernmental aid. In 2012, the District received funds from the Federal government through the Ohio Department of Education to be used for education jobs. This money is reported in the District's governmental activities and, per guidance from the Ohio Department of Education, remaining restricted revenues associated with this program must be spent before September 30, 2012.

The District will continue its commitment to operate effective and efficient educational facilities with the ongoing support and cooperation of the Claymont Education Association, Ohio Association of Public School Employees, District administration and the Board of Education.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Lori Statler, Treasurer/CFO, Claymont City School District, 201 N. 3rd Street, Dennison, Ohio 44621-1278.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 4,168,171
Receivables:	
Taxes	4,080,413
Intergovernmental	442,878
Prepayments.	18,722
Materials and supplies inventory	9,399
Unamortized bond issuance costs	30,012
Capital assets:	
Land	318,293
Depreciable capital assets, net	19,761,927
Capital assets, net.	20,080,220
 Total assets	 28,829,815
 Liabilities:	
Accounts payable	16,356
Contracts payable.	72,900
Accrued wages and benefits	1,434,467
Pension obligation payable	384,794
Intergovernmental payable.	80,419
Unearned revenue	3,028,832
Accrued interest payable.	5,939
Long-term liabilities:	
Due within one year	575,090
Due in more than one year	3,920,612
 Total liabilities.	 9,519,409
 Net Assets:	
Invested in capital assets, net of related debt	17,408,137
Restricted for:	
Capital projects.	60,457
Debt service	553,092
Classroom facilities maintenance.	348,155
Locally funded programs	13,508
State funded programs	8,523
Federally funded programs	59,776
Student activities	81,664
Other purposes	31,730
Unrestricted	745,364
 Total net assets.	 \$ 19,310,406

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Changes in</u>
				<u>Net Assets</u>
Governmental activities:				Governmental
				Activities
Instruction:				
Regular	\$ 10,131,269	\$ 1,002,359	\$ 412,846	\$ (8,716,064)
Special	2,832,759	151,931	2,510,213	(170,615)
Vocational	91,824	-	61,189	(30,635)
Other	30,611	-	-	(30,611)
Support services:				
Pupil	1,005,180	-	147,714	(857,466)
Instructional staff	1,525,913	665	137,187	(1,388,061)
Board of education	22,178	-	-	(22,178)
Administration	1,488,081	2,716	83,637	(1,401,728)
Fiscal	389,684	-	-	(389,684)
Business	71,230	-	-	(71,230)
Operations and maintenance	1,967,395	10,330	1,987	(1,955,078)
Pupil transportation	765,432	-	26,574	(738,858)
Central	54,197	-	470	(53,727)
Operation of non-instructional services:				
Food service operations	857,112	183,899	701,661	28,448
Other non-instructional services	92,640	-	68,902	(23,738)
Extracurricular activities	581,149	196,712	16,439	(367,998)
Interest and fiscal charges	181,057	-	-	(181,057)
Totals	\$ 22,087,711	\$ 1,548,612	\$ 4,168,819	(16,370,280)

General Revenues:

Property taxes levied for:	
General purposes	3,171,715
Special revenue	65,133
Debt service	364,003
Revenue in lieu of taxes	10,000
Grants and entitlements not restricted	
to specific programs	11,801,587
Investment earnings	3,085
Miscellaneous	7,589
Total general revenues	15,423,112
Change in net assets	(947,168)
Net assets at beginning of year	20,257,574
Net assets at end of year	\$ 19,310,406

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents.	\$ 3,058,251	\$ 1,109,920	\$ 4,168,171
Receivables:			
Taxes.	3,608,712	471,701	4,080,413
Intergovernmental.	-	442,878	442,878
Interfund loans	151,401	-	151,401
Prepayments.	11,275	7,447	18,722
Materials and supplies inventory.	-	9,399	9,399
Total assets	<u>\$ 6,829,639</u>	<u>\$ 2,041,345</u>	<u>\$ 8,870,984</u>
Liabilities:			
Accounts payable	\$ 10,035	\$ 6,321	\$ 16,356
Contracts payable.	72,900	-	72,900
Accrued wages and benefits.	1,181,751	252,716	1,434,467
Compensated absences payable	82,959	-	82,959
Pension obligation payable	334,080	50,714	384,794
Intergovernmental payable	68,273	12,146	80,419
Interfund loans payable.	-	151,401	151,401
Deferred revenue	558,712	191,722	750,434
Unearned revenue.	2,687,283	341,549	3,028,832
Total liabilities.	<u>4,995,993</u>	<u>1,006,569</u>	<u>6,002,562</u>
Fund Balances:			
Nonspendable:			
Materials and supplies inventory.	-	9,399	9,399
Prepays.	11,275	7,447	18,722
Restricted:			
Debt service	-	497,300	497,300
Capital improvements	-	60,457	60,457
Classroom facilities maintenance	-	320,738	320,738
Food service operations	-	40,091	40,091
Non-public schools	-	2,664	2,664
Special education	-	6,105	6,105
Targeted academic assistance	-	16,048	16,048
Other purposes.	-	26,126	26,126
Extracurricular	-	81,664	81,664
Assigned:			
Student instruction	44,206	-	44,206
Student and staff support.	202,295	-	202,295
Pupil school support	77,298	-	77,298
School supplies	6,830	-	6,830
Unassigned (deficit).	1,491,742	(33,263)	1,458,479
Total fund balances	<u>1,833,646</u>	<u>1,034,776</u>	<u>2,868,422</u>
Total liabilities and fund balances	<u>\$ 6,829,639</u>	<u>\$ 2,041,345</u>	<u>\$ 8,870,984</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$	2,868,422
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			20,080,220
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	640,413	
Intergovernmental receivable		110,021	
Total		750,434	750,434
Unamortized deferred charges on refundings are not recognized in the funds.			254,054
Unamortized premiums on bond issuance are not recognized in the funds.			(372,043)
Unamortized bond issuance costs are not recognized in the funds.			30,012
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(5,939)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(1,292,934)	
General obligation bonds payable		(2,885,536)	
Capital lease obligation		(116,284)	
Total		(4,294,754)	(4,294,754)
Net assets of governmental activities		\$	19,310,406

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 3,136,569	\$ 415,064	\$ 3,551,633
Revenue in lieu of taxes	10,000	-	10,000
Tuition	1,112,709	-	1,112,709
Charges for services	-	183,899	183,899
Earnings on investments	3,085	6	3,091
Extracurricular	57,470	123,505	180,975
Classroom materials and fees	41,581	-	41,581
Rental income	3,622	6,708	10,330
Contributions and donations	16,451	58,433	74,884
Contract services	2,716	-	2,716
Other local revenues	20,721	-	20,721
Intergovernmental - state	13,261,426	354,539	13,615,965
Intergovernmental - federal	18,484	2,967,698	2,986,182
Total revenues	<u>17,684,834</u>	<u>4,109,852</u>	<u>21,794,686</u>
Expenditures:			
Current:			
Instruction:			
Regular	8,129,458	1,224,985	9,354,443
Special	1,790,584	994,671	2,785,255
Vocational	76,890	-	76,890
Other	30,611	-	30,611
Support services:			
Pupil	855,304	167,918	1,023,222
Instructional staff	1,370,540	149,369	1,519,909
Board of education	22,178	-	22,178
Administration	1,342,415	99,551	1,441,966
Fiscal	366,684	10,159	376,843
Business	58,348	-	58,348
Operations and maintenance	1,996,597	71,751	2,068,348
Pupil transportation	714,912	-	714,912
Central	35,200	558	35,758
Operation of non-instructional services:			
Food service operations	-	797,541	797,541
Other non-instructional services	-	97,839	97,839
Extracurricular activities	456,830	115,345	572,175
Debt service:			
Principal retirement	26,947	335,000	361,947
Interest and fiscal charges	10,485	89,241	99,726
Total expenditures	<u>17,283,983</u>	<u>4,153,928</u>	<u>21,437,911</u>
Net change in fund balances	400,851	(44,076)	356,775
Fund balances at beginning of year	1,432,795	1,077,935	2,510,730
Increase in reserve for inventory	-	917	917
Fund balances at end of year	<u>\$ 1,833,646</u>	<u>\$ 1,034,776</u>	<u>\$ 2,868,422</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ 356,775

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

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

Capital asset additions	\$ 293,371	
Current year depreciation	(1,022,254)	
Total		(728,883)

In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:

Decrease in accrued interest payable	465	
Accreted interest on "capital appreciation" bonds	(91,139)	
Amortization of bond issue costs	(3,187)	
Amortization of bond premiums	39,509	
Amortization of deferred charges on refundings	(26,979)	
Total		(81,331)

Governmental funds report expenditures for inventory when purchased; however, in the statement of activities, they are reported as an expense when consumed.

917

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

Taxes	49,218	
Intergovernmental	(703,361)	
Total		(654,143)

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

361,947

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

(202,450)

Change in net assets of governmental activities \$ (947,168)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,983,000	\$ 2,983,000	\$ 3,053,196	\$ 70,196
Revenue in lieu of taxes	7,400	7,400	10,000	2,600
Tuition	925,000	925,000	1,112,710	187,710
Transportation fees	500	500	-	(500)
Earnings on investments	3,000	3,000	3,085	85
Classroom materials and fees	19,400	19,400	38,935	19,535
Rental income	5,000	5,000	3,622	(1,378)
Contributions and donations	-	-	3,270	3,270
Contract services	5,000	5,000	2,716	(2,284)
Other local revenues	1,200	1,200	8,246	7,046
Intergovernmental - state	12,425,000	12,425,000	13,261,426	836,426
Intergovernmental - federal	15,000	15,000	18,484	3,484
Total revenues	16,389,500	16,389,500	17,515,690	1,126,190
Expenditures:				
Current:				
Instruction:				
Regular	9,301,158	9,828,291	8,477,928	1,350,363
Special	1,686,335	1,781,907	1,803,668	(21,761)
Vocational	14,373	15,188	78,337	(63,149)
Other	6,625	7,000	30,611	(23,611)
Support services:				
Pupil	779,247	823,410	849,545	(26,135)
Instructional staff	1,120,111	1,183,592	1,434,415	(250,823)
Board of education	52,428	55,399	40,080	15,319
Administration	1,262,178	1,333,711	1,405,441	(71,730)
Fiscal	245,783	259,713	376,078	(116,365)
Business	68,720	72,615	89,231	(16,616)
Operations and maintenance	2,014,158	2,128,309	2,119,817	8,492
Pupil transportation	737,809	779,624	753,510	26,114
Central	25,474	26,918	72,168	(45,250)
Operation of non-instructional services	1,094	1,156	-	1,156
Extracurricular activities	329,147	347,801	386,444	(38,643)
Total expenditures	17,644,640	18,644,634	17,917,273	727,361
Excess of expenditures over revenues	(1,255,140)	(2,255,134)	(401,583)	1,853,551
Other financing sources (uses):				
Refund of prior year's expenditures	2,500	2,500	18,756	16,256
Refund of prior year's receipts	(97)	(103)	(281)	(178)
Advances in	125,000	125,000	100,295	(24,705)
Advances (out)	-	-	(92,082)	(92,082)
Sale of capital assets	500	500	-	(500)
Total other financing sources (uses)	127,903	127,897	26,688	(101,209)
Net change in fund balance	(1,127,237)	(2,127,237)	(374,895)	1,752,342
Fund balance at beginning of year	2,674,147	2,674,147	2,674,147	-
Prior year encumbrances appropriated	346,780	346,780	346,780	-
Fund balance at end of year	\$ 1,893,690	\$ 893,690	\$ 2,646,032	\$ 1,752,342

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 6,643	\$ 23,922
Total assets.	6,643	\$ 23,922
Liabilities:		
Due to students.	-	\$ 23,922
Total liabilities	-	\$ 23,922
Net assets:		
Held in trust for scholarships	6,643	
Total net assets	\$ 6,643	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 2
 Deductions:	
Scholarships awarded	1,250
Change in net assets	(1,248)
Net assets at beginning of year	7,891
Net assets at end of year.	\$ 6,643

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Claymont City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is located within the City of Uhrichsville and the Village of Dennison, Ohio. It operates under a locally-elected five-member Board and provides educational services as authorized and mandated by State and federal agencies. The Board controls the District's seven instructional support facilities staffed by 84 classified employees, 161 certified teaching personnel and 16 administrators, who provide services to 2,089 students. The District operates one preschool, three elementary schools, a 5th - 6th grade intermediate school, a 7th - 8th grade junior high, one 9th - 12th high school and one garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The following entities, which perform activities within the District's boundaries for the benefit of its residents, are excluded from the basic financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

City of Uhrichsville and the Village of Dennison

The City of Uhrichsville and the Village of Dennison are separate bodies politic and corporate. A mayor and council are elected independent of any District relationships, and administer the provision of traditional municipal services. Council acts as the taxing and budgeting authority for the City and for the Village.

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School District (JVSD)

The JVSD is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The JVSD's Board of Education is comprised of representatives from the Board of each participating school district. The JVSD's Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District's students may attend the JVSD. Each school district's control is limited to its representation on the JVSD's Board. During fiscal year 2012, no monies were paid to the JVSD by the District.

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)

OME-RESA is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

The OME-RESA is one of 23 regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by 44 member school districts in 11 different Ohio counties. The member school districts are comprised of public school districts and county educational service centers. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors. During fiscal year 2012, the District paid \$59,540 in various service fees to OME-RESA.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

Tuscarawas County Tax Incentive Review Council (TCTIRC)

The TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to State statutes. TCTIRC has 22 members, consisting of 3 members appointed by the County Commissioners, 4 members appointed by municipal corporations, 6 members appointed by township trustees, 1 member from the County Auditor's office and 8 members appointed by Boards of Education located within the County. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this council. During fiscal year 2012, no monies were paid to the TCTIRC by the District. The continued existence of the TCTIRC is not dependent on the District's continued participation and no equity interest exists.

PUBLIC ENTITY RISK POOLS

Stark County Schools Council of Governments

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool, with participants from Stark, Summit, Portage, Tuscarawas and Wayne Counties. The consortium is governed by an assembly, which consists of one representative from each participating District (usually the superintendent or designee). The assembly elects officers for two-year terms to serve on the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to Stark County Educational Service Center, 2100 38th Street, Canton, Ohio 44709.

RELATED ORGANIZATION

Claymont Public Library

The Claymont Public Library is a related organization to the District. The School Board members are responsible for appointing the trustees of the Public Library; however, the School Board cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax relief related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determines its own budget. During fiscal year 2012, no monies were paid to the Library by the District. Financial information can be obtained from the Claymont Public Library, 215 E. 3rd Street, Uhrichsville, Ohio 44683.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

GOVERNMENTAL FUNDS

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed or assigned to expenditures for principal and interest.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

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

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

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

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

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in governmental funds.

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

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

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.

E. Budgets

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 has been established by the Board of Education at the function level of expenditures for the general fund and the fund level of expenditures for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

TAX BUDGET

On July 25, 2002, the Tuscarawas County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by March 14. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenues and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

ESTIMATED RESOURCES

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 July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as 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 District. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificate of estimated resources issued during fiscal year 2012.

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 function level of expenditures for the general fund and at the fund level of expenditures for all other funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution 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 any level of control. Any revisions that alter the appropriations at the legal level of control must be approved by the Board of Education. The District Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the object level in the general fund and function and object level in all other funds without resolution by the Board of Education.

The Board of Education 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. Supplemental appropriations were legally enacted by the Board during fiscal year 2012.

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

LAPSING OF APPROPRIATIONS

At the close of each fiscal 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 re-appropriated.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

F. Cash and Investments

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

During fiscal year 2012, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statute, the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$3,085, which includes \$880 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis. Donated commodities are presented at their entitlement value. Inventories are accounted for using the purchase method on the fund financial statements, in which an expenditure is recognized upon the purchase of inventory, and using the consumption method on the government-wide statements, in which inventories are expensed when used.

Inventory consists of donated food and purchased food.

H. Capital Assets

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

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from interfund loans are classified as "interfund loan receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

GASB Statement No. 16, "Accounting for Compensated Absences", specifies the method used to accrue liabilities for leave benefits. 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Unamortized Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds. Using the straight-line method, which approximates the effective interest method, bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.A.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes include amounts restricted for food service and for expenditures of the District's educational foundation fund, a nonmajor governmental fund.

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Estimates

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

Q. Interfund Activity

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

R. Parochial and Private Schools

Within the District boundaries, the Immaculate Conception School and Rush Christian School are operated through the Columbus Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in a nonmajor governmental fund for financial reporting purposes.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Mangement information systems	\$ 1,785
Public school preschool	1,597
Miscellaneous State grants	6,736
WIA	2,134
Education jobs	21,011

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim 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 or deposit accounts including passbook accounts.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described items (1) and (2) above 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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the 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.

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the District had \$2,100 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$1,868,143. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$1,511,635 of the District’s bank balance of \$2,011,635 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2012, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 2,328,493	\$ 2,328,493

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 2,328,493	100.00

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,868,143
Investments	2,328,493
Cash on hand	2,100
Total	\$ 4,198,736
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,168,171
Private-purpose trust fund	6,643
Agency fund	23,922
Total	\$ 4,198,736

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2012 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 151,401

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$362,717 in the general fund, \$42,366 in the bond retirement debt service fund (a nonmajor governmental fund) and \$6,085 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$279,344 in the general fund, \$32,579 in the bond retirement debt service fund (a nonmajor governmental fund) and \$4,719 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 138,953,290	92.82	\$ 138,598,140	92.76
Public utility personal	10,591,130	7.07	10,818,390	7.24
Tangible personal property	<u>167,120</u>	<u>0.11</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 149,711,540</u>	<u>100.00</u>	<u>\$ 149,416,530</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$30.90		\$30.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 4,080,413
Intergovernmental	<u>442,878</u>
Total	<u>\$ 4,523,291</u>

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/12</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 318,293	\$ -	\$ -	\$ 318,293
Total capital assets, not being depreciated	<u>318,293</u>	<u>-</u>	<u>-</u>	<u>318,293</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	432,913	78,196	-	511,109
Buildings and improvements	30,580,561	11,500	-	30,592,061
Furniture and equipment	3,814,345	203,675	-	4,018,020
Vehicles	<u>1,321,797</u>	<u>-</u>	<u>-</u>	<u>1,321,797</u>
Total capital assets, being depreciated	<u>36,149,616</u>	<u>293,371</u>	<u>-</u>	<u>36,442,987</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(359,406)	(16,389)	-	(375,795)
Buildings and improvements	(11,407,035)	(764,533)	-	(12,171,568)
Furniture and equipment	(2,967,366)	(174,134)	-	(3,141,500)
Vehicles	<u>(924,999)</u>	<u>(67,198)</u>	<u>-</u>	<u>(992,197)</u>
Total accumulated depreciation	<u>(15,658,806)</u>	<u>(1,022,254)</u>	<u>-</u>	<u>(16,681,060)</u>
Governmental activities capital assets, net	<u>\$ 20,809,103</u>	<u>\$ (728,883)</u>	<u>\$ -</u>	<u>\$ 20,080,220</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 657,144
Special	46,908
Vocational	15,346

Support services:

Pupil	5,278
Instructional staff	24,091
Administration	25,382
Fiscal	1,287
Business	12,597
Operations and maintenance	52,784
Pupil transportation	68,001
Central	26,264
Extracurricular activities	32,323
Operation of non-instructional services:	
Food service operations	53,433
Other non-instructional services	<u>1,416</u>
Total depreciation expense	<u>\$ 1,022,254</u>

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2011, the District entered into sixteen capitalized leases for copier equipment. These lease agreements meet the criteria of capital leases. A capital lease generally is one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

The total outstanding principal of the leases at June 30, 2012, is \$116,284. The original cost of all sixteen leases was \$153,169; however, only fourteen of the leases have met the District's capitalization threshold of \$5,000. Capital assets consisting of copier equipment have been capitalized in the amount of \$150,843. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2012 was \$60,336, leaving a current book value of \$90,507. Principal payments in fiscal year 2012 totaled \$26,947 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 37,432
2014	37,432
2015	37,432
2016	<u>21,835</u>
Total minimum lease payments	134,131
Less: amount representing interest	<u>(17,847)</u>
Total	<u>\$ 116,284</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. The District's long-term obligations activity during the fiscal year 2012 consisted of the following:

	Balance Outstanding <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/12</u>	Amounts Due in <u>One Year</u>
Capital lease obligation	\$ 143,231	\$ -	\$ (26,947)	\$ 116,284	\$ 29,184
General obligation bonds - 2006	3,129,397	91,139	(335,000)	2,885,536	345,000
Compensated absences	<u>1,165,279</u>	<u>375,583</u>	<u>(164,969)</u>	<u>1,375,893</u>	<u>200,906</u>
Total governmental activities	<u>\$ 4,437,907</u>	<u>\$ 466,722</u>	<u>\$ (526,916)</u>	4,377,713	<u>\$ 575,090</u>
Less: deferred charges on refunding				(254,054)	
Add: unamortized premium				<u>372,043</u>	
Total on statement of net assets				<u>\$ 4,495,702</u>	

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

General obligation bonds are direct obligations of the District for which the full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the District.

Compensated absences will be paid from the general fund, food service fund (a nonmajor governmental fund), auxiliary services fund (a nonmajor governmental fund), the public school preschool fund (a nonmajor governmental fund), Title VI-B fund (a nonmajor governmental fund), Title I fund (a nonmajor governmental fund) and the improving teacher quality fund (a nonmajor governmental fund).

Capital lease obligations will be paid from the general fund.

- B.** On July 6, 2005, the District issued general obligation bonds to advance refund the Series 1997 current interest and capital appreciation bonds. The issuance proceeds of \$4,534,588 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

This issue is comprised of both current interest bonds, par value \$4,330,000, and capital appreciation bonds, par value \$204,588. The interest rates on the current interest bonds range from 2.75% to 3.60%. The capital appreciation bonds mature on December 1, 2016 (effective interest 4.20%), December 1, 2017 (effective interest 4.30%), December 1, 2018 (effective interest 4.40%) and December 1, 2019 (effective interest 4.50%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for each capital appreciation bond is \$1,585,000. A total of \$415,948 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2012.

The following is a schedule of activity for fiscal year 2012 of the 2006 series refunding bonds:

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/12</u>
Current interest bonds	\$ 2,600,000	\$ -	\$ (335,000)	\$ 2,265,000
Capital appreciation bonds	204,588	-	-	204,588
Accreted interest on capital appreciation bonds	<u>324,809</u>	<u>91,139</u>	<u>-</u>	<u>415,948</u>
Total refunding bonds	<u>\$ 3,129,397</u>	<u>\$ 91,139</u>	<u>\$ (335,000)</u>	<u>\$ 2,885,536</u>

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2006 series refunding bonds:

Fiscal Year Year Ending June 30.	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 345,000	\$ 78,188	\$ 423,188	\$ -	\$ -	\$ -
2014	355,000	66,460	421,460	-	-	-
2015	370,000	53,950	423,950	-	-	-
2016	385,000	40,545	425,545	-	-	-
2017	-	33,615	33,615	63,800	331,200	395,000
2018 - 2022	810,000	134,875	944,875	140,788	1,049,212	1,190,000
Total	<u>\$ 2,265,000</u>	<u>\$ 407,633</u>	<u>\$ 2,672,633</u>	<u>\$ 204,588</u>	<u>\$ 1,380,412</u>	<u>\$ 1,585,000</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$11,475,200 (including available funds of \$497,300) and an unvoted debt margin of \$149,417.

NOTE 11 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified, eleven and twelve-month administrative employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and other administrators do not earn vacation time. 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 260 days for all employees. Upon retirement, classified and certified employees receive one-fourth of their total sick leave accumulation, up to a maximum of 50 days. Compensated absences will be paid from the fund from which the employee is paid.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the District contracted with Donald Kennedy, agent for Indiana Insurance Company, with coverages provided by The Netherlands Insurance Company and Mid American Fire & Casualty for property insurance, boiler and machinery, inland marine coverage, fleet insurance and general liability coverage. Coverages under these policies are as follows:

Building and Contents (\$2,500 deductible)	\$84,227,799
Blanket Computer Coverage (\$500 deductible)	3,012,135
Audio/Visual Equipment Coverage (\$500 deductible)	936,501
Musical Instruments (\$500 deductible)	245,905
Automobile Liability (\$100 deductible-comprehensive) (\$500 deductible-collision)	1,000,000
School Leaders Errors and Omissions Liability (\$2,500 deductible):	
Wrongful act	1,000,000
Aggregate limit	3,000,000
Sexual Misconduct and Molestation Liability:	
Each loss	1,000,000
Aggregate limit	3,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate per year	3,000,000
Employee Benefits Liability (\$1,000 deductible)	
Each loss	1,000,000
Aggregate limit	3,000,000
Employers Stop Gap Liability	
Each Accident	1,000,000
Aggregate limit	3,000,000
Law Enforcement Professional Liability (\$2,500 deductible)	
Each wrongful act	1,000,000
Aggregate limit	3,000,000
Public Employee Dishonesty - Westfield co. (Romig Ins.)	2,500

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

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through Fort Dearborn Life Insurance Company.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Medical, Dental and Vision Insurance

The District participates in the Stark County Schools Council of Governments Health Benefit Plan, a risk sharing pool to provide medical/surgical benefits for employees. The plan provides a medical/surgical plan with a \$200 family and \$100 single deductible. Co-insurance pays 80% of usual, customary and reasonable charges with yearly maximum out-of-pocket expenses of \$500 per individual or \$1,000 for two or more family members. The Stark County Schools Council has selected Mutual Health Services to provide third party administrative services in claims processing. Employees may elect to choose from two Preferred Provider Organizations (PPO) to increase the co-insurance from 80% to 90%. The provider organizations are Aultcare and Super Med. A preferred provider drug program is also included in the insurance program. The employee pays a 20% co-payment to the provider and the remaining 80% is directly billed to the insurance company. Caremark serves as the preferred provider for the drug program. During fiscal year 2012, the District paid \$1,290 for certified and \$1,295 for classified family plans or \$529 for certified and \$532 for classified individual coverage per month to the Stark County Educational Service Center who serves as the fiscal agent for the Health Benefits Plan. The premium is paid by the fund that pays the salary for the employee and is based on a rate determined by an actuary for the Health Benefits Plan.

The District also provides dental and vision benefits, which are administered by the Health Benefits Plan. Mutual Health Services serves as the third party administrator to provide claims processing services these plans. During fiscal year 2012, the monthly premium for dental coverage was \$168.96 for family coverage and \$68.48 for individual coverage. During fiscal year 2012, the premium for vision coverage was \$35.87 for family coverage and \$14.44 for individual coverage. The premiums for these coverages are also paid into the insurance pool.

D. Workers' Compensation

The District paid the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that the State calculates. The District utilizes CompManagement, Inc. as a third party administrator.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

**CLAYMONT CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$299,278, \$275,184 and \$286,073, respectively; 66.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**CLAYMONT CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,211,366, \$1,179,120 and \$1,230,270, respectively; 84.28 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$53,208 made by the District and \$38,006 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$59,042, \$67,330 and \$53,523, respectively; 66.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$17,674, \$17,709 and \$17,012, respectively; 66.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$93,182, \$90,702 and \$94,636, respectively; 84.28 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (374,895)
Net adjustment for revenue accruals	83,371
Net adjustment for expenditure accruals	374,839
Net adjustment for other sources/uses	(26,688)
Funds budgeted elsewhere	16,133
Adjustment for encumbrances	328,091
GAAP basis	<u>\$ 400,851</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the uniform school supplies fund and the public school support fund.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 16 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. The effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

At June 30, 2012, the District was not involved in any lawsuits that would have a material adverse effect on the District's financial position.

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - SET-ASIDES - (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	362,182
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(419,944)
Excess qualified expenditures from prior years	-
Current year offsets	(133,764)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (191,526)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u><u>\$ -</u></u>

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 253,229
Nonmajor governmental funds	<u>32,028</u>
Total	<u><u>\$ 285,257</u></u>

November 15, 2012

To the Board of Education
Claymont City School District
201 N. Third St.
Dennison, Ohio 44621

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the governmental activities, its major fund and the aggregate remaining fund information of the Claymont City School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 15, 2012. 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.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Claymont City School District
Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards
Page 2 of 2

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 15, 2012.

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

Hea & Associates, Inc.

November 15, 2012

To the Board of Education
Claymont City School District
201 N. Third St.
Dennison, Ohio 44621

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Claymont City School District, Tuscarawas 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Rea & Associates, Inc.

CLAYMONT CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Receipts	Federal Disbursements
U.S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
<i>Title I Cluster</i>				
Title I	84.010	2011	\$ 137,755	\$ 152,172
Title I	84.010	2012	572,161	581,798
Title I - Neglected	84.010	2011	18,645	3,902
Title I - Neglected	84.010	2012	17,630	18,051
Title I - ARRA	84.389	2011	53,979	41,762
Title I - Neglected ARRA	84.389	2011	425	418
Total Title I Cluster			800,595	798,103
<i>Special Education Cluster:</i>				
IDEA-B	84.027	2011	54,000	75,350
IDEA-B	84.027	2012	525,401	536,082
IDEA-B - ARRA	84.391	2011	55,948	58,255
Total IDEA-B			635,349	669,687
Early Childhood Special Education	84.173	2011	1,218	1,679
Early Childhood Special Education	84.173	2012	10,967	14,297
Early Childhood Special Education - ARRA	84.392	2011	8,530	5,052
Total Preschool Grants			20,715	21,028
Total Special Education Cluster			656,064	690,715
Rural Education	84.358	2012	41,641	41,641
Total Rural Education			41,641	41,641
Safe and Drug-Free Schools and Communities	84.186	2011	950	710
Total Safe and Drug-Free Schools and Communities			950	710
Title II-D, Transforming Teaching and Learning	84.318	2012	104,128	103,706
Title II-D	84.318	2012	4,898	4,923
Total Title II-D			109,026	108,629
Title II-A	84.367	2011	14,288	21,318
Title II-A	84.367	2012	114,890	123,224
Total Title II-A			129,178	144,542
Education Jobs	84.410	2011	15,394	14,994
Education Jobs	84.410	2012	527,060	571,223
Total Education Jobs			542,454	586,217
State Fiscal Stabilization Fund - ARRA	84.394	2011	0	141,732
Total State Fiscal Stabilization Fund			0	141,732
Race to the Top - ARRA	84.395	2011	1,750	1,750
Total Race to the Top			1,750	1,750
<i>Total Passed Through Ohio Department of Education</i>			2,281,658	2,514,039
<i>Direct Awards:</i>				
Workforce Initiative	17.259	2011	11,157	11,181
Total Workforce Initiative			11,157	11,181
<i>Total Direct Awards</i>			11,157	11,181
Total U.S Department of Education			2,292,815	2,525,220

See notes to the schedule of expenditures of federal awards.

CLAYMONT CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Receipts	Federal Disbursements
U.S. Department of Agriculture				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	10.553	2012 (B)	\$ 153,291	\$ 153,291
Total National School Breakfast Program			153,291	153,291
Cash Assistance:				
National School Lunch Program	10.555	2012 (B)	481,834	481,834
Total Cash Assistance			481,834	481,834
Non-Cash Assistance:				
National School Lunch Program	10.555	2012 (C)	51,555	51,555
Total Non-Cash Assistance			51,555	51,555
Total National School Lunch Program			533,389	533,389
Total Child Nutrition Cluster			686,680	686,680
Total U.S. Department of Agriculture			686,680	686,680
Total Federal Financial Assistance			\$ 2,979,495	\$ 3,211,900

See notes to the schedule of expenditures of federal awards.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Note A – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Claymont City School District, Tuscarawas County, Ohio (the District) and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of financial statements.

Note B - Child Nutrition Cluster

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

Note C – Food Donation Program

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note D - Transfers

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a district can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2012, the ODE authorized the following transfers:

<u>CFDA #</u>	<u>Grant Title</u>	<u>Grant Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.027	IDEA Part B	2011	\$ 6,739	
84.027	IDEA Part B	2012		\$ 6,739
84.410	Education Jobs Fund	2011	\$ 4,002	
84.410	Education Jobs Fund	2012		\$ 4,002
84.318	Title II-D Technology	2011	\$ 25	
84.318	Title II-D Technology	2012		\$ 25

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , SECTION .505
FOR THE YEAR ENDED JUNE 30, 2012**

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 significant deficiencies in internal control 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 significant deficiencies in internal control 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 Section .510?	No
(d) (1) (vii)	Major Programs (list): Title I Cluster State Fiscal Stabilization Fund - ARRA Education Jobs	CFDA #'s 84.010 and 84.389 84.394 84.410
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None were noted.



Dave Yost • Auditor of State

CLAYMONT CITY SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 24, 2013