



Dave Yost • Auditor of State

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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HIGHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lynchburg Clay Local School District
Highland County
301 East Pearl Street
Lynchburg, Ohio 45142

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynchburg Clay Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lynchburg Clay Local School District, Highland County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General fund and Food Service fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 13, 2014

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Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

As management of the Lynchburg Clay Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- The School District received an increase in federal grant funding for Title I and IDEA B grant programs as well as a new federal grant, Rural and Low Income grant.
- Due to changes in federal guidelines on the type of foods to be served in school cafeterias, the School District had a decline in students' participation in purchasing meals.
- The School District had a decrease in not only open enrollment but the School District enrollment as well.
- Staff received step increases during fiscal year 2013 and medical insurance premiums increased 3.6 percent in fiscal year 2013. Partially offsetting these expenditure increases was the decrease in material and supplies type expenditures.

Using the Basic Financial Statements

This report consists of a series of financial statements and the notes to the financial statements. These statements are organized so the reader can understand Lynchburg Clay Local School District as a whole, an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the School District as a whole, and present 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 School District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the Lynchburg Clay Local School District are the General Fund, the Food Service Special Revenue Fund, and the Debt Service Fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets and deferred outflows of resources* and

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liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs, and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page six. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

Governmental Funds - Most of the School 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 fiscal 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 statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Fund - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds. The Internal Service Fund is used to account for the dental and vision benefits provided to employees, and payment of premiums for medical insurance to the insurance purchasing pool.

Fiduciary Funds - The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

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The School District as a Whole

Recall that the *Statement of Net Position* provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal years 2013 and 2012:

(Table 1)
 Net Position
 Governmental Activities

	2013	2012	Change in Net Position
Assets			
Current and Other Assets	\$10,880,685	\$11,546,904	(\$666,219)
Capital Assets, Net	16,938,048	17,878,325	(940,277)
Total Assets	<u>27,818,733</u>	<u>29,425,229</u>	<u>(1,606,496)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	<u>4,212</u>	<u>16,170</u>	<u>(11,958)</u>
Liabilities			
Other Liabilities	1,343,242	1,381,932	(38,690)
Long-Term Liabilities	<u>1,879,297</u>	<u>1,990,003</u>	<u>(110,706)</u>
Total Liabilities	<u>3,222,539</u>	<u>3,371,935</u>	<u>(149,396)</u>
Deferred Inflows of Resources			
Property Taxes	<u>1,977,000</u>	<u>2,025,531</u>	<u>(48,531)</u>
Net Investment in Capital Assets	15,679,035	16,488,026	(808,991)
Restricted	1,478,830	1,468,536	10,294
Unrestricted	<u>5,465,541</u>	<u>6,087,371</u>	<u>(621,830)</u>
Total Net Position	<u>\$22,623,406</u>	<u>\$24,043,933</u>	<u>(\$1,420,527)</u>

Capital assets, net decreased due to current year depreciation exceeding current year additions. Current and other assets decreased due to expenses outpacing revenues in fiscal year 2013.

Total net position decreased \$1,420,527. Net investment in capital assets decreased due to current year depreciation exceeding current year additions. Unrestricted net position decreased due to expenses outpacing revenues in fiscal year 2013.

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For the Fiscal Year Ended June 30, 2013
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Table 2 highlights the School District's revenues and expenses. These two main components are subtracted to yield the change in net position. This table uses the full accrual basis of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants, contributions and interest. General Revenues include taxes, unrestricted grants, such as State foundation support, gifts and donations, interest, and miscellaneous.

(Table 2)
Changes in Net Position
Governmental Activities

	2013	2012	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$946,216	\$1,074,556	(\$128,340)
Operating Grants, Contributions and Interest	1,840,295	1,661,895	178,400
Capital Grants and Contributions	10,000	11,000	(1,000)
Total Program Revenues	2,796,511	2,747,451	49,060
General Revenues:			
Property Taxes	2,037,002	1,988,571	48,431
Grants and Entitlements not Restricted to Specific Programs	7,437,764	7,529,656	(91,892)
Interest	(600)	56,445	(57,045)
Miscellaneous	90,505	111,526	(21,021)
Total General Revenues	9,564,671	9,686,198	(121,527)
Total Revenues	12,361,182	12,433,649	(72,467)
Program Expenses			
Instruction:			
Regular	6,167,027	6,086,657	80,370
Special	1,536,995	1,207,372	329,623
Vocational	226,435	243,350	(16,915)
Student Intervention Services	2,145	4,352	(2,207)
Support Services:			
Pupils	462,294	463,061	(767)
Instructional Staff	778,476	799,325	(20,849)
Board of Education	44,810	52,222	(7,412)
Administration	1,105,288	1,103,326	1,962
Fiscal	344,527	356,424	(11,897)
Business	50,189	45,159	5,030
Operation and Maintenance of Plant	1,179,747	1,533,283	(353,536)
Pupil Transportation	885,660	863,392	22,268
Central	12,500	12,000	500
Operation of Non-Instructional Services:			
Other	892	1,554	(662)
Food Services	662,705	630,646	32,059
Extracurricular Activities	252,604	221,800	30,804
Interest and Fiscal Charges	69,415	56,289	13,126
Total Expenses	13,781,709	13,680,212	101,497
Change in Net Position	(1,420,527)	(1,246,563)	(173,964)
Net Position at Beginning of Year	24,043,933	25,290,496	(1,246,563)
Net Position at End of Year	\$22,623,406	\$24,043,933	(\$1,420,527)

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Management's Discussion and Analysis
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Governmental Activities

Operating grants, contributions and interest increased due primarily to the School District obtaining more in Title I and IDEA B federal grant funding as well as a new federal grant through Title VI-B called Rural and Low Income. Charges for services and sales decreased mainly from lunchroom revenues and drop in open enrollment. The new federal standards that school cafeterias must meet in type of foods being served have caused a decline of students' participation in purchasing meals. Also, grants and entitlements not restricted to specific programs decreased due to a decline in state foundation monies received. The School District experienced a decline in enrollment that affected the state foundation monies.

Regular and special instruction both increased in fiscal year 2013. The School District provided step increases for staff that was approximately a 1.5 percent increase on their base salaries. Also, medical insurance premiums increased 3.6 percent in fiscal year 2013. Operating and Maintenance of Plant decreased significantly in fiscal year 2013. The School District was able to significantly cut materials and supplies orders for maintenance and custodial maintenance departments by reviewing their current inventory items in the spring of fiscal year 2013 and only ordering a six month supply of materials and supplies instead of a 12 month supply which has been the normal practice of the School District.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,388,318 and expenditures of \$13,085,818.

The General Fund had a decrease in fund balance of \$727,532. One reason was the elimination of the Ed Jobs federal grant funding after fiscal year 2013. This funding was used to pay for salaries and benefits in the grant funds in fiscal year 2011 and 2012 but in fiscal year 2013 these expenditures reverted back to the General Fund. Also, expenditures increased overall due to the step increases to wages and the increase in medical insurance premiums.

The Food Service Fund experienced a decrease in fund balance of \$54,554. The new federal standards that school cafeterias must meet in type of foods being served have caused a decline of students' participation in purchasing meals and a decline in revenues from cafeteria sales.

The Debt Service Fund experienced a decrease in fund balance of as a result of debt service payments exceeding revenues.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2013, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original

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and final budgeted amounts is listed on page 16, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amount.

For the General Fund, original budgeted revenues were \$11,128,423 and final budgeted revenues were \$10,897,765, a difference of \$230,658. The School District received less in student foundation and open enrollment due to decreases in enrollment for both the School District and open enrollment. Final budgeted revenues were \$112,885 more than actual revenues.

Original budgeted expenditures were \$678,926 more than the final budgeted expenditures of \$11,938,203. The decrease was mainly from the significantly cut materials and supplies orders for maintenance and custodial maintenance departments by reviewing their current inventory items in the spring of fiscal year 2013 and only ordering a six month supply of materials and supplies instead of 12 month supply which has been the normal practice of the School District. The actual budget basis expenditures were \$275,229 less than final budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

The Lynchburg Clay Local School District's investment in capital assets as of June 30, 2013, was \$16,938,048. This investment in capital assets includes land; land improvement; buildings and building improvements; furniture, fixtures and equipment; vehicles; and books and educational media. Net capital assets decreased \$940,277 from the prior fiscal year as a result of current year depreciation exceeding current year additions. For more information on capital assets, refer to Note 9 to the basic financial statements.

Debt

At June 30, 2013, the School District had \$1,095,000 in bonds outstanding, with \$125,000 due within one year as well as capital leases outstanding for \$149,636. The School District's long-term obligations also include a premium on refunding and compensated absences.

The School District's overall legal debt margin was \$8,571,664, with an unvoted debt margin of \$100,008 at June 30, 2013.

For more information on debt, refer to Note 15 to the basic financial statements.

District Challenges for the Future

Lynchburg Clay Local School District is heavily dependent on State funding; approximately 72 percent of its funding is received through the State foundation program.

While the Ohio Supreme Court ruled in March of 1997 that Ohio's funding of public schools is unconstitutional and needs to be restructured, subsequent Court reviews of the legislature's responses have found that the State legislature has not adequately responded to the specifics of

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the ruling. Thus, many school districts believe Ohio's public schools continue to be funded through an inadequate and inequitable system.

The slow State and national economy is also causing financial difficulty for the Lynchburg Clay Local School District and schools throughout the State and the nation. The Governor of Ohio is currently dealing with poor economic conditions in our State and is outlining a plan for a new round of State cuts in funding. Unless Ohio's economy takes a positive turn, the funding for Ohio's public schools may not be sufficient to finance educational programs necessary for our students. Although the State has made budget cuts to other entities, the public schools have been exempt from these cuts. This, however, may not be possible in the future.

The projection of student enrollment is another issue that is hard to forecast. During 2013, the School District lost 34 students, due to the local loss of jobs, and subsequent relocation of those families. A significant increase in enrollment during the next several fiscal years is not expected. We feel this is due to the loss of area jobs from various companies, most significantly the closure of DHL Shipping in Clinton County.

In schools, as in any other business, funding is always a major concern. Since schools are dependent on local and State taxes for a portion of their funding, it is important that the State legislature and Governor make school funding a priority. The lack of appropriate State response to the DeRolph school funding lawsuit, the poor local, State and national economy, the various student educational options, the cost of implementing State and Federal mandates, the various student educational options, and student enrollment projections all contribute to the difficult task of establishing financial projections for our School District.

Lynchburg Clay Local School District continues to utilize and demonstrate fiscal responsibility by adopting balanced budgets and not overspending the budgets. The Board and administrators are hopeful that public funding in Ohio is a priority for Ohio's political leaders and will permit Lynchburg Clay Local School District to continue to provide a quality education for our students.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Richard Hawk, Treasurer, at Lynchburg Clay Local School District, 301 East Pearl Street, P.O. Box 515, Lynchburg, Ohio 45142.

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Lynchburg Clay Local School District

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$8,403,128
Accrued Interest Receivable	15,820
Inventory Held for Resale	6,043
Materials and Supplies Inventory	3,076
Intergovernmental Receivable	210,811
Property Taxes Receivable	2,241,807
Capital Assets:	
Land	405,668
Depreciable Capital Assets, Net	<u>16,532,380</u>
 <i>Total Assets</i>	 <u>27,818,733</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding	<u>4,212</u>
 Liabilities:	
Accounts Payable	47,062
Accrued Wages and Benefits Payable	1,006,793
Intergovernmental Payable	254,032
Matured Compensated Absences Payable	30,073
Claims Payable	1,659
Accrued Interest Payable	3,623
Long-Term Liabilities:	
Due Within One Year	206,098
Due in More Than One Year	<u>1,673,199</u>
 <i>Total Liabilities</i>	 <u>3,222,539</u>
 Deferred Inflows of Resources:	
Property Taxes	<u>1,977,000</u>
 Net Position:	
Net Investment in Capital Assets	15,679,035
Restricted for:	
Capital Outlay	316,087
Debt Service	670,616
Classroom Facilities	409,065
Athletics	59,413
State and Federal Grants	23,649
Unrestricted	<u>5,465,541</u>
 <i>Total Net Position</i>	 <u><u>\$22,623,406</u></u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$6,167,027	\$519,880	\$68,890	\$0	(\$5,578,257)
Special	1,536,995	102,462	1,144,324	0	(290,209)
Vocational	226,435	19,055	57,181	0	(150,199)
Student Intervention Services	2,145	193	0	0	(1,952)
Support Services:					
Pupils	462,294	0	74,956	0	(387,338)
Instructional Staff	778,476	0	62,334	0	(716,142)
Board of Education	44,810	0	0	0	(44,810)
Administration	1,105,288	0	29,405	0	(1,075,883)
Fiscal	344,527	0	0	0	(344,527)
Business	50,189				(50,189)
Operation and Maintenance of Plant	1,179,747	365	5,400	10,000	(1,163,982)
Pupil Transportation	885,660	0	37,943	0	(847,717)
Central	12,500	0	0	0	(12,500)
Operation of Non-Instructional Services:					
Other	892	0	0	0	(892)
Food Services	662,705	214,556	315,758	0	(132,391)
Extracurricular Activities	252,604	89,705	44,104	0	(118,795)
Interest and Fiscal Charges	69,415	0	0	0	(69,415)
Total Governmental Activities	\$13,781,709	\$946,216	\$1,840,295	\$10,000	(10,985,198)
General Revenues:					
Property Taxes Levied for:					
General Purposes					1,860,773
Debt Service					137,887
Capital Outlay					38,342
Grants and Entitlements not					
Restricted to Specific Programs					7,437,764
Interest					(600)
Miscellaneous					90,505
Total General Revenues					9,564,671
Change in Net Position					(1,420,527)
Net Position at Beginning of Year					24,043,933
Net Position at End of Year					\$22,623,406

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
 Balance Sheet
 Governmental Funds
 June 30, 2013

	General Fund	Food Service Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$6,785,074	\$45,647	\$656,281	\$724,763	\$8,211,765
Inventory Held for Resale	0	6,043	0	0	6,043
Materials and Supplies Inventory	0	3,076	0	0	3,076
Accrued Interest Receivable	15,820	0	0	0	15,820
Intergovernmental Receivable	47,259	4,639	0	158,913	210,811
Property Taxes Receivable	2,043,950	0	157,463	40,394	2,241,807
<i>Total Assets</i>	<u>\$8,892,103</u>	<u>\$59,405</u>	<u>\$813,744</u>	<u>\$924,070</u>	<u>\$10,689,322</u>
Liabilities:					
Accounts Payable	\$35,644	\$3,100	\$0	\$8,318	\$47,062
Accrued Wages and Benefits Payable	918,092	31,988	0	56,713	1,006,793
Intergovernmental Payable	241,210	7,808	0	5,014	254,032
Matured Compensated Absences Payable	27,687	1,077	0	1,309	30,073
<i>Total Liabilities</i>	<u>1,222,633</u>	<u>43,973</u>	<u>0</u>	<u>71,354</u>	<u>1,337,960</u>
Deferred Inflows of Resources:					
Property Taxes	1,802,025	0	139,505	35,470	1,977,000
Unavailable Revenue	119,954	0	8,310	33,436	161,700
<i>Total Deferred Inflows of Resources</i>	<u>1,921,979</u>	<u>0</u>	<u>147,815</u>	<u>68,906</u>	<u>2,138,700</u>
Fund Balances:					
Nonspendable	0	3,076	0	0	3,076
Restricted	0	12,356	665,929	800,569	1,478,854
Committed	11,000	0	0	0	11,000
Assigned	237,784	0	0	0	237,784
Unassigned (Deficit)	5,498,707	0	0	(16,759)	5,481,948
<i>Total Fund Balances</i>	<u>5,747,491</u>	<u>15,432</u>	<u>665,929</u>	<u>783,810</u>	<u>7,212,662</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$8,892,103</u>	<u>\$59,405</u>	<u>\$813,744</u>	<u>\$924,070</u>	<u>\$10,689,322</u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2013

Total Governmental Fund Balances \$7,212,662

***Amounts reported for governmental activities in the
 Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	405,668	
Depreciable capital assets	32,346,190	
Accumulated depreciation	(15,813,810)	
Total capital assets	16,938,048	16,938,048

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	122,499	
Intergovernmental	31,152	
Interest	8,049	
	161,700	161,700

The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. 189,704

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (3,623)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(1,095,000)	
Bond premium	(18,589)	
Loss on refunding	4,212	
Capital leases	(149,636)	
Compensated absences	(616,072)	
Total liabilities	(1,875,085)	(1,875,085)

Net Position of Governmental Activities \$22,623,406

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General Fund	Food Service Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$1,855,748	\$0	\$137,553	\$38,266	\$2,031,567
Intergovernmental	8,201,138	315,733	21,948	718,968	9,257,787
Interest	(436)	0	0	0	(436)
Tuition and Fees	641,590	0	0	0	641,590
Rent	365	0	0	650	1,015
Extracurricular Activities	4,303	0	0	84,752	89,055
Gifts and Donations	8,550	25	0	54,104	62,679
Customer Sales and Services	0	214,556	0	0	214,556
Miscellaneous	87,388	1,774	0	1,343	90,505
Total Revenues	10,798,646	532,088	159,501	898,083	12,388,318
Expenditures:					
Current:					
Instruction:					
Regular	5,616,938	0	0	60,992	5,677,930
Special	1,108,106	0	0	383,116	1,491,222
Vocational	205,621	0	0	0	205,621
Student Intervention Services	2,145	0	0	0	2,145
Support Services:					
Pupils	376,689	0	0	77,637	454,326
Instructional Staff	708,843	0	0	65,072	773,915
Board of Education	44,909	0	0	0	44,909
Administration	972,285	0	0	63,232	1,035,517
Fiscal	333,672	0	4,622	1,289	339,583
Business	7,460	0	0	0	7,460
Operation and Maintenance of Plant	1,063,920	6,598	0	70,815	1,141,333
Pupil Transportation	807,653	0	0	12,728	820,381
Central	12,500	0	0	0	12,500
Operation of Non-Instructional Services:					
Other	892	0	0	0	892
Food Services	624	580,044	0	0	580,668
Extracurricular Activities	136,594	0	0	122,900	259,494
Capital Outlay	18,340	0	0	0	18,340
Debt Service:					
Principal Retirement	43,999	0	120,000	0	163,999
Interest and Fiscal Charges	8,864	0	46,719	0	55,583
Total Expenditures	11,470,054	586,642	171,341	857,781	13,085,818
Excess of Revenues Over (Under) Expenditures	(671,408)	(54,554)	(11,840)	40,302	(697,500)
Other Financing Sources (Uses):					
Inception of Capital Leases	18,340	0	0	0	18,340
Proceeds from Sale of Capital Assets	536	0	0	0	536
Transfers In	0	0	0	75,000	75,000
Transfers Out	(75,000)	0	0	0	(75,000)
Total Other Financing Sources (Uses)	(56,124)	0	0	75,000	18,876
Net Change in Fund Balances	(727,532)	(54,554)	(11,840)	115,302	(678,624)
Fund Balances at Beginning of Year	6,475,023	69,986	677,769	668,508	7,891,286
Fund Balances at End of Year	\$5,747,491	\$15,432	\$665,929	\$783,810	\$7,212,662

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
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, 2013

Net Change in Fund Balances - Total Governmental Funds (\$678,624)

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	78,661	
Depreciation expense	(1,018,402)	
Excess of depreciation expense over capital outlay		(939,741)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.

Loss on sale of capital assets		(536)
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Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent property taxes	5,435	
Intergovernmental	(32,407)	
Interest	(164)	
		(27,136)

The internal service fund used by management to charge the costs of insurance to individual funds is reported in the entity-wide Statement of Activities.

126,221

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:

Decrease in accrued interest payable	(15,629)	
Amortization of bond premium	2,324	
Amortization of loss on refunding	(527)	
		(13,832)

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability.

(18,340)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

Bond payments	120,000	
Capital lease payments	43,999	
Total long-term debt repayment		163,999

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable		(32,538)
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Change in Net Position of Governmental Activities (\$1,420,527)

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$2,264,640	\$1,803,300	\$1,830,677	\$27,377
Intergovernmental	8,006,333	8,214,700	8,165,053	(49,647)
Interest	67,250	69,000	51,289	(17,711)
Tuition and Fees	714,130	732,715	641,590	(91,125)
Rent	244	250	365	115
Extracurricular Activities	9,356	9,600	4,303	(5,297)
Gifts and Donations	12,865	13,200	8,550	(4,650)
Miscellaneous	53,605	55,000	83,053	28,053
<i>Total Revenues</i>	<u>11,128,423</u>	<u>10,897,765</u>	<u>10,784,880</u>	<u>(112,885)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,961,959	5,758,407	5,652,171	106,236
Special	1,168,898	1,128,843	1,095,527	33,316
Vocational	234,192	226,811	220,074	6,737
Student Intervention Services	387	375	2,145	(1,770)
Support Services:				
Pupils	395,223	382,621	374,782	7,839
Instructional Staff	759,185	736,486	718,748	17,738
Board of Education	63,390	47,525	46,221	1,304
Administration	1,038,495	997,683	963,207	34,476
Fiscal	360,450	343,925	340,329	3,596
Business	57,520	55,800	54,956	844
Operation and Maintenance of Plant	1,474,654	1,245,580	1,207,785	37,795
Pupil Transportation	893,544	837,550	814,808	22,742
Central	12,885	12,500	12,500	0
Operation of Non-Instructional Services	1,469	1,425	1,516	(91)
Extracurricular Activities	194,878	162,672	158,205	4,467
<i>Total Expenditures</i>	<u>12,617,129</u>	<u>11,938,203</u>	<u>11,662,974</u>	<u>275,229</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,488,706)</u>	<u>(1,040,438)</u>	<u>(878,094)</u>	<u>162,344</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	536	536
Transfers In	1,920	1,970	4,335	2,365
Transfers Out	(77,312)	(75,000)	(76,979)	(1,979)
Other Financing Uses	0	(639,300)	0	639,300
<i>Total Other Financing Sources (Uses)</i>	<u>(75,392)</u>	<u>(712,330)</u>	<u>(72,108)</u>	<u>640,222</u>
<i>Net Change in Fund Balance</i>	<u>(1,564,098)</u>	<u>(1,752,768)</u>	<u>(950,202)</u>	<u>802,566</u>
<i>Fund Balance at Beginning of Year</i>	<u>7,238,524</u>	<u>7,238,524</u>	<u>7,238,524</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>310,983</u>	<u>310,983</u>	<u>310,983</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$5,985,409</u></u>	<u><u>\$5,796,739</u></u>	<u><u>\$6,599,305</u></u>	<u><u>\$802,566</u></u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$321,385	\$312,531	\$322,913	\$10,382
Customer Sales and Service	231,137	224,769	214,556	(10,213)
Gifts and Donations	26	25	25	0
Miscellaneous	1,722	1,675	1,774	99
<i>Total Revenues</i>	<u>554,270</u>	<u>539,000</u>	<u>539,268</u>	<u>268</u>
Expenditures:				
Current:				
Support Services:				
Operation and Maintenance of Plant	13,346	13,650	7,585	6,065
Operation of Non-Instructional Services				
Food Service	549,583	582,524	573,088	9,436
<i>Total Expenditures</i>	<u>562,929</u>	<u>596,174</u>	<u>580,673</u>	<u>15,501</u>
<i>Net Change in Fund Balance</i>	(8,659)	(57,174)	(41,405)	15,769
<i>Fund Balance at Beginning of Year</i>	67,542	67,542	67,542	0
<i>Prior Year Encumbrances Appropriated</i>	12,282	12,282	12,282	0
<i>Fund Balance at End of Year</i>	<u>\$71,165</u>	<u>\$22,650</u>	<u>\$38,419</u>	<u>\$15,769</u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2013

	<u>Self-Insurance Fund</u>
<i>Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$191,363
<i>Liabilities:</i>	
Claims Payable	<u>1,659</u>
<i>Net Position:</i>	
Unrestricted	<u><u>\$189,704</u></u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenses
and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2013

	Self-Insurance Fund
<i>Operating Revenues:</i>	
Charges for Services	\$1,607,880
<i>Operating Expenses:</i>	
Purchased Services	1,462,874
Claims	18,937
<i>Total Operating Expenses</i>	1,481,811
<i>Operating Income</i>	126,069
<i>Non-Operating Revenues:</i>	
Interest	152
<i>Change in Net Position</i>	126,221
<i>Net Position at Beginning of Year</i>	63,483
<i>Net Position at End of Year</i>	\$189,704

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2013

	Self-Insurance Fund
<i>Increases (Decreases) in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Interfund Services Provided	\$1,607,880
Cash Payments to Suppliers for Goods and Services	(1,462,874)
Cash Payments for Claims	(18,937)
<i>Net Cash Received by Operating Activities</i>	126,069
<i>Cash Flows from Investing Activities:</i>	
Interest	152
<i>Increase in Cash and Cash Equivalents</i>	126,221
<i>Cash and Cash Equivalents at Beginning of Year</i>	65,142
<i>Cash and Cash Equivalents at End of Year</i>	\$191,363
<i>Reconciliation of Operating Income to Net Cash</i>	
<i>Received by Operating Activities:</i>	
Operating Income	\$126,069

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	
	Scholarship Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$508,829	\$39,033
Liabilities:		
Undistributed Monies	0	\$39,033
Net Position:		
Held in Trust for Scholarships	\$508,829	

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust Fund
	Scholarship
<i>Additions:</i>	
Interest	\$5,687
<i>Deductions:</i>	
Payments in Accordance with Trust Agreements	4,000
<i>Change in Net Position</i>	1,687
<i>Net Position at Beginning of Year</i>	507,142
<i>Net Position at End of Year</i>	\$508,829

See accompanying notes to the basic financial statements

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Lynchburg Clay Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1853. The School District serves an area of approximately 114 square miles. It is located in Highland, Clinton, and Brown Counties, and includes all of the Village of Lynchburg; the community of Buford; Dodson, Salem, Hamer, Union, Clay, and Whiteoak Townships in Highland County; Perry and Green Townships in Brown County; and Clark Township in Clinton County. It is staffed by 73 classified employees, 90 certificated personnel and six administrative employees who provide services to 1,243 students. The School District currently operates three instructional buildings, one administrative building, and one garage.

Reporting Entity

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

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

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(Continued)

Jointly Governed Organizations:

South Central Ohio Computer Association (SCOCA)
Great Oaks Institute of Technology and Career Development

Insurance Purchasing Pools:

Brown County Schools Benefits Consortium
Northern Buckeye Education Council Workers' Compensation
Group Retrospective Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Internal Service Fund is presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Food Service Fund - The Food Service Fund is used to account for and report the sale of lunches restricted to the food service operations of the School District.

Debt Service Fund - The Debt Service Fund is used to account for and report the accumulation of resources restricted for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

Internal Service Fund - Internal Service Funds account for the financing of services provided by one department or agency to the other departments or agencies of the School District. The Internal Service Fund is used to account for dental and vision benefits provided to employees and the collection and payment of premiums for medical insurance to the insurance purchasing pool.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two fiduciary funds: a private purpose trust fund, used to account for college scholarship programs for students; and an agency fund, used to account for student managed activity programs.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the flow of economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues-Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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, grants, and interest.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, charges for service, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the governmental funds.

Cash and Cash Equivalents

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

During fiscal year 2013, the School District's investments were limited to municipal bonds, Federal Home Loan Mortgage Association Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Notes, and negotiable certificates of deposits. Investments are reported at fair value which is based on quoted market price.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue, including a decrease in the fair market value of investments, credited to the General Fund during fiscal year 2013 amounted to (\$436), which includes (\$91) assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of purchased food held for resale and consumable supplies.

Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental 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 Position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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>Estimated Lives</u>
Land Improvements	20 years
Buildings and Building Improvements	20-50 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	8 years
Books and Educational Media	6 years

Compensated Absences

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

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the fund financial statements.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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, 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 fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted

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

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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or 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 the School District Board of Education. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully approved.

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 used only to report a deficit fund balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for classroom facilities, athletics and state and federal grants.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Internal Activity

Transfers between government funds are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and are eliminated from the statement of activities. 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 financial statements.

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on the expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

Bond Premiums

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period when the debt is issued.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Estimates

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

NOTE 3 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 3 - FUND BALANCES (Continued)

Fund Balances	General Fund	Food Service Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>					
Inventory	\$0	\$3,076	\$0	\$0	\$3,076
<i>Restricted for</i>					
Debt Service	0	0	665,929	0	665,929
Permanent Improvements	0	0	0	316,087	316,087
Classroom Facilities	0	0	0	406,781	406,781
District Managed Activity	0	0	0	59,413	59,413
Food Service Operations	0	12,356	0	0	12,356
Grants	0	0	0	18,288	18,288
<i>Total Restricted</i>	0	12,356	665,929	800,569	1,478,854
<i>Committed to</i>					
Underground Storage	11,000	0	0	0	11,000
<i>Assigned to</i>					
Purchases on Order	237,784	0	0	0	237,784
<i>Unassigned (Deficit)</i>	5,498,707	0	0	(16,759)	5,481,948
<i>Total Fund Balances</i>	\$5,747,491	\$15,432	\$665,929	\$783,810	\$7,212,662

NOTE 4 - ACCOUNTABILITY

At June 30, 2013, the Title I, Title VI-B, and Title VI-R Special Revenue Funds had deficit fund balances of \$11,238, \$3,309, and \$2,212, respectively. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and Food Service Special Revenue Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and the Food Service Special Revenue Fund.

	Net Change in Fund Balance	
	General	Food Service Fund
GAAP Basis	(\$727,532)	(\$54,554)
Adjustments:		
Revenue Accruals	(85,807)	7,180
Decrease in Fair Market Value of Investments Fiscal Year 2013	48,948	0
Increase in Fair Market Value of Investments Fiscal Year 2012	4,753	0
Expenditure Accruals	41,797	13,197
Encumbrances	(234,717)	(7,228)
Transfers	2,356	0
Budget Basis	(\$950,202)	(\$41,405)

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2013, the School District had the following investments, which are in an internal investment pool:

	Fair Value	Investment Maturities (in Years)		Moody's or S&P's* Rating	Percent of Total Investments
		Less than 1	1 - 5		
Municipal Bonds	\$683,429	\$416,013	\$267,416	AA	8.72%
Federal Home Loan Mortgage Association Bonds	1,242,968	0	1,242,968	Aaa	15.85%
Federal Home Loan Mortgage Corporation Bonds	493,180	0	493,180	AA+	6.29%
Federal National Mortgage Association Notes	1,552,467	0	1,552,467	AA+	19.80%
Negotiable Certificates of Deposits	3,869,643	1,051,819	2,817,824	N/A	49.34%
Totals	<u>\$7,841,687</u>	<u>\$1,467,832</u>	<u>\$6,373,855</u>		

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporations (FDIC). The percentage that each investment represents of the total investments is listed in the table above.

NOTE 7 - PROPERTY TAXES

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 7 - PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Highland, Clinton, and Brown Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows – property taxes.

The amount available as an advance at June 30, 2013, was \$130,020 in the General Fund, \$9,648 in the Debt Service Fund, and \$2,640 in the Classroom Facilities Fund. The amount available as an advance at June 30, 2012, was \$104,949 in the General Fund, \$7,806 in the Debt Service Fund, and \$2,142 in the Classroom Facilities Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 7 - PROPERTY TAXES (Continued)

	<u>2012 Second - Half Collections</u>		<u>2013 First - Half Collections</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Real Estate	\$98,153,380	96.00%	\$96,455,260	96.45%
Public Utility Personal	4,115,930	4.00%	3,552,910	3.55%
Total Assessed Value	<u>\$102,269,310</u>	<u>100.00%</u>	<u>\$100,008,170</u>	<u>100.00%</u>
Tax Rate Per \$1,000 of Assessed Valuation	\$24.80		\$24.80	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2013, consisted of interest, intergovernmental grants, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Food Service - Federal Lunch Reimbursement	\$4,639
School Employees Retirement System Reimbursement	14,987
Workers Compensation Reimbursement	28,751
Title VI-B Grant	46,019
Title I Grant	97,833
Improving Teacher Quality	12,225
Special Education Services	6,357
Total Intergovernmental Receivable	<u>\$210,811</u>

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Deductions	Balance at 6/30/13
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$405,668	\$0	\$0	\$405,668
Capital Assets Being Depreciated:				
Land Improvements	2,310,725	0	0	2,310,725
Buildings and Building Improvements	25,065,769	0	0	25,065,769
Furniture, Fixtures and Equipment	2,775,161	77,366	(4,168)	2,848,359
Vehicles	1,456,312	0	0	1,456,312
Books and Educational Media	663,730	1,295	0	665,025
Total Capital Assets Being Depreciated	<u>32,271,697</u>	<u>78,661</u>	<u>(4,168)</u>	<u>32,346,190</u>
Less Accumulated Depreciation:				
Land Improvements	(1,284,132)	(104,294)	0	(1,388,426)
Buildings and Building Improvements	(9,774,163)	(639,953)	0	(10,414,116)
Furniture, Fixtures and Equipment	(1,921,173)	(192,026)	3,632	(2,109,567)
Vehicles	(1,167,726)	(74,583)	0	(1,242,309)
Books and Educational Media	(651,846)	(7,546)	0	(659,392)
Total Accumulated Depreciation	<u>(14,799,040)</u>	<u>(1,018,402) *</u>	<u>3,632</u>	<u>(15,813,810)</u>
Total Capital Assets Being Depreciated, Net	<u>17,472,657</u>	<u>(939,741)</u>	<u>(536)</u>	<u>16,532,380</u>
Governmental Activities Capital Assets, Net	<u>\$17,878,325</u>	<u>(\$939,741)</u>	<u>(\$536)</u>	<u>\$16,938,048</u>

* Depreciation expense was charged to governmental functions as follows:

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 9 - CAPITAL ASSETS (Continued)

Instruction:	
Regular	\$563,208
Special	57,453
Vocational	23,814
Support Services:	
Pupils	15,514
Instructional Staff	13,895
Administration	78,251
Fiscal	1,789
Business	42,729
Operation and Maintenance of Plant	47,577
Pupil Transportation	74,238
Operation of Non-Instructional Services:	
Food Services	92,995
Extracurricular Activities	6,939
Total Depreciation Expense	<u>\$1,018,402</u>

NOTE 10 - RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted with Ohio Casualty Insurance for property insurance, fleet insurance, liability insurance, and inland marine coverage.

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

Workers' Compensation

For fiscal year 2013, the School District participated in the Northern Buckeye Education Council Workers' Compensation Group Retrospective Rating Plan (GRRP), an insurance purchasing pool (See Note 18). The intent of the GRRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRRP.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 10 - RISK MANAGEMENT (Continued)

Participation in the GRRP is limited to school districts that can meet the GRRP's selection criteria. The firm of Northern Buckeye Education Council Uniservice, Inc. provides administrative, cost control and actuarial services to the GRRP.

Vision and Dental Benefits

Vision and dental benefits are provided through a self-insurance program. Monthly premiums are paid to Medical Mutual, who in turn pays the claims on the School District's behalf.

The information presented below represents an estimate of vision and dental claims. The claims liability of \$1,659 reported in the internal service fund at June 30, 2013, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	<u>Beginning of Fiscal Year</u>	<u>Fiscal Year Claims</u>	<u>Claims Payments</u>	<u>End of Fiscal Year</u>
2012	\$1,659	\$18,773	\$18,773	\$1,659
2013	1,659	18,937	18,937	1,659

Employee Medical Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (See Note 18) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$222,145, \$212,120, and \$182,151, respectively. The full amount has been contributed for fiscal years 2013, 2012, and 2011.

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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 Web site at www.strsoh.org.

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 multiplied by 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.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

The Combined Plan offers features of both the DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011, were \$623,291, \$690,911, and \$547,434, respectively. For fiscal year 2013, 83.95 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$632 made by the School District and \$452 made by the plan members. In addition, member contributions of \$9,159 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 12 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System 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 as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$24,310 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$27,023, \$33,496, and \$41,859, respectively. The full amount has been contributed for fiscal years 2013, 2012, and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$12,459, \$12,527, and \$11,722, respectively. The full amount has been contributed for fiscal years 2013, 2012, and 2011.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$47,945, \$53,147, and \$42,110, respectively. For fiscal year 2013, 83.95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from School District policies and State laws. Eligible classified 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 and administrators upon termination of employment. Teachers do not earn vacation time. Each fiscal year, employees are given the option to request payment for up to 10 days of vacation leave at fiscal year-end.

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 210 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 52 days.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 13 - EMPLOYEE BENEFITS (Continued)

Special Termination Benefits

The School District offers an Early Notice of Retirement Incentive program to all employees who are eligible to retire under either SERS or STRS. The employees who give written notice of the intended retirement date on or before March 1 of the year in which they intend to retire will receive an incentive payment. The employees may exercise this option in the first, second, or third year of eligibility for retirement. The incentive amount is calculated by multiplying an average of the last three full years' wages by the years of service and a factor rate. The factor rate is .005 for the first year, .0033 for the second year, and .0025 for the third year. Payment is made on June 1 of the year in which the employee retires.

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Ohio Educational Employees Life Insurance Trust.

NOTE 14 - LEASES – LESSEE DISCLOSURE

During the fiscal year, the School District entered into a capitalized lease for music equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

In prior fiscal years, copiers acquired by lease were capitalized in the amount of \$195,303, which is equal to the present value of the minimum lease payments at the time of acquisition. The music equipment acquired by lease was capitalized in the amount of \$18,340, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in fiscal year 2013 totaled \$43,999 and were paid from the General Fund.

The assets acquired through the capital lease as of June 30, 2013, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Furniture, Fixtures, and Equipment	\$213,643	(\$62,259)	\$151,384

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2013:

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 14 - LEASES – LESSEE DISCLOSURE (Continued)

Fiscal Year Ending June 30,	Total Payments
2014	\$52,863
2015	52,863
2016	52,862
2017	5,367
Total	163,955
Less: Amount Representing Interest	(14,319)
Present Value of Net Minimum Lease Payments	\$149,636

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2013 were as follows:

	Amounts Outstanding 6/30/2012	Additions	Deductions	Amounts Outstanding 6/30/2013	Amounts Due in One Year
Governmental Activities:					
1998 School Improvement					
Bonds, 3.8%	\$350,000	\$0	\$110,000	\$240,000	\$115,000
2008 School Improvement					
Bonds, 3.8%	865,000	0	10,000	855,000	10,000
Premium on Refunding	20,913	0	2,324	18,589	0
Capital Leases	175,295	18,340	43,999	149,636	46,071
Compensated Absences	583,534	130,198	97,660	616,072	35,027
Total Governmental Activities	\$1,994,742	\$148,538	\$263,983	\$1,879,297	\$206,098

School Improvement Bonds – In July 1998, the School District issued school improvement bonds in the amount of \$2,330,600 for the construction of a new elementary school, a new high school, and renovations to the old high school building to be used as a middle school. The bonds were issued for a 23 year period with final maturity in fiscal year 2021. The bonds will be paid from the Debt Service Fund with property taxes.

In September 2008, the School District issued \$984,999 in school improvement bonds for the purpose of refunding a portion of the 1998 School Improvement Bonds. The bonds were issued for a 12 year period, with final maturity in December 2020.

Compensated absences will be paid from the General, Food Service, Title VI-B, Title I, and Title VI-R Funds.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

The School District's overall legal debt margin was \$8,571,664, with an unvoted debt margin of \$100,008 at June 30, 2013.

Principal and interest requirements to retire the school improvement bonds outstanding at June 30, 2013, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2014	\$125,000	\$40,091	\$165,091
2015	131,104	37,087	168,191
2016	78,896	90,779	169,675
2017	145,000	26,957	171,957
2018	145,000	21,519	166,519
2019-2021	470,000	28,599	498,599
Total	<u>\$1,095,000</u>	<u>\$245,032</u>	<u>\$1,340,032</u>

NOTE 16 - INTERFUND ACTIVITY

Transfers To/From Other Funds

Transfers made during the fiscal year ended June 30, 2013, were as follows:

Transfer From	Transfer To
General Fund	Nonmajor Governmental Funds
	<u>\$75,000</u>

Transfers were made to the Nonmajor Governmental Funds to support programs and projects accounted for in those funds.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association (SCOCA)

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$20,544 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Great Oaks Institute of Technology and Career Development

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 18 - INSURANCE PURCHASING POOLS

Brown County Schools Benefits Consortium

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville–Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg–Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical and dental insurance for the benefit of the consortium members’ employees and their dependents. The consortium contracts with United Healthcare to provide medical insurance directly to consortium member employees. The Educational Service Center pays premiums to the consortium based on employee membership. For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district’s dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district’s claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

Northern Buckeye Education Council Workers’ Compensation Group Retrospective Rating Plan

The School District participates in a group retrospective rating plan for workers’ compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers’ Compensation Group Retrospective Rating Plan (GRRP) was established as a group insurance purchasing pool. The GRRP’s business and affairs are conducted by a five member Board of Directors. Each fiscal year, the participants pay an enrollment fee to the GRRP to cover the costs of administering the program.

NOTE 19 - SET-ASIDE CALCULATIONS

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 19 - SET-ASIDE CALCULATIONS (Continued)

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

	<u>Capital Acquisition</u>
Set-Aside Balance as of June 30, 2012	\$0
Current Fiscal Year Set-aside Requirement	214,701
Current Fiscal Year Qualifying Expenditures	(121,153)
Current Fiscal Year Offsets	<u>(93,548)</u>
Totals	<u>\$0</u>
Set-Aside Balance as of June 30, 2013	<u>\$0</u>
Set-Aside Balance Carried Forward to Fiscal Year 2014	<u>\$0</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount to zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years.

NOTE 20 - CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

Litigation

The School District is not party to any legal proceedings.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "Financial Reporting Entity: Omnibus," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

**SCHEDULE of FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed through Ohio Department of Education:</i>					
Nutrition Cluster:					
National School Breakfast Program	10.553	\$ 89,030		\$ 89,030	
National School Lunch Program	10.555	217,413	\$ 22,209	217,413	\$ 22,207
Summer Food Service Program	10.559	10,268		10,268	
<i>Total Nutrition Cluster</i>		<u>316,711</u>	<u>22,209</u>	<u>316,711</u>	<u>22,207</u>
Total U.S. Department of Agriculture		316,711	22,209	316,711	22,207
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act Title I -	84.010	222,040		267,408	
<i>Total Title I</i>		<u>222,040</u>		<u>267,408</u>	
Special Education Cluster:					
Special Education Grants to States IDEA Part B	84.027	242,132		236,660	
Early Childhood	84.173	3,345		3,345	
<i>Total Special Education Cluster</i>		<u>245,477</u>		<u>240,005</u>	
Small, Rural School Achievement Program	84.358A	19,690		22,605	
Improving Teacher Quality	84.367	56,750		57,440	
Education Jobs	84.410	132,803		83,842	
Total Department of Education		676,760	-	671,300	-
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 993,471	\$ 22,209	\$ 988,011	\$ 22,207

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

**LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Lynchburg-Clay Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Lynchburg Clay Local School District
Highland County
301 East Pearl Street
Lynchburg, Ohio 45142

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynchburg Clay Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 13, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State

Columbus, Ohio

February 13, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Lynchburg Clay Local School District
Highland County
301 East Pearl Street
Lynchburg, Ohio 45142

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Lynchburg Clay Local School District's, Highland County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Lynchburg Clay Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Lynchburg Clay Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost
Auditor of State

Columbus, Ohio

February 13, 2014

**LYNCHBURG CLAY LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	84.010 Title 1
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Lynchburg Clay Local School District
Highland County
301 East Pearl Street
Lynchburg, Ohio 45142

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Lynchburg Clay Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 19, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 13, 2014