

**EAST CLINTON LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013***

**JOHN STANLEY, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
East Clinton Local School District  
97 Astro Way  
Sabina, Ohio 45169

We have reviewed the *Independent Auditor's Report* of the East Clinton Local School District, Clinton County, prepared by Julian & Grube, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

January 8, 2014

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**EAST CLINTON LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

East Clinton Local School District  
Clinton County  
97 Astro Way  
Sabina, Ohio 45169

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 the East Clinton Local School District, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the East Clinton Local School 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 East Clinton Local School 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 East Clinton Local School 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 the East Clinton Local School District, Clinton County, Ohio, as of June 30, 2013, and the respective changes in the financial position thereof and the budgetary comparison for the General fund thereof for the fiscal 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 East Clinton Local School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") 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 the Schedule 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 November 25, 2013, on our consideration of the East Clinton Local School 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 East Clinton Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
November 25, 2013

**East Clinton Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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As management of the East Clinton 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 Notes to the Basic Financial Statements to enhance their understanding of the School District's performance.

This discussion and analysis of East Clinton Local School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013.

### **Financial Highlights**

- The School District's net position increased \$761,386 during this fiscal year's operations due mostly to the School District continuing to monitor both revenue and expenses in order to prudently manage the resources needed to educate students.
- The assets of the East Clinton Local School District exceeded its liabilities at June 30, 2013 by \$17,243,587. Of this amount, \$2,041,546 may be used to meet the School District's ongoing financial obligations. The remaining amount represents net investment in capital assets and net position amounts restricted for specific purposes.

### **Using the Basic Financial Statements**

This report consists of a series of financial statements and the Notes to the Basic Financial Statements. These statements are organized so the reader can understand East Clinton 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 East Clinton Local School District are the General, Bond Retirement, and Permanent Improvement Funds.

### **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 2013?" The *Statement of Net Position* and the *Statements 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 *liabilities* 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 year's revenues and expenses regardless of when cash is received or paid.

***East Clinton Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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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 6. Fund financial statements 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. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the Governmental Fund Balance Sheet, and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

***Fiduciary Funds*** - The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. These activities are excluded 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. The private purpose trust fund is used to account for college scholarship programs. Fiduciary funds use the accrual basis of accounting.

**East Clinton Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
**Unaudited**

**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 at June 30, 2013 and June 30, 2012:

Table 1  
Net Position  
Governmental Activities

<b>Assets</b>	2013	2012	Change
Current and Other Assets	\$9,359,852	\$8,298,835	\$1,061,017
Capital Assets, Net	14,381,858	14,900,976	(519,118)
<b>Total Assets</b>	<b>23,741,710</b>	<b>23,199,811</b>	<b>541,899</b>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	97,374	116,848	(19,474)
<b>Liabilities</b>			
Other Liabilities	1,331,149	1,439,963	(108,814)
Long-Term Liabilities	2,267,572	2,510,921	(243,349)
<b>Total Liabilities</b>	<b>3,598,721</b>	<b>3,950,884</b>	<b>(352,163)</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	2,996,776	2,883,574	113,202
<b>Net Position</b>			
Net Investment in Capital Assets	13,176,074	13,420,907	(244,833)
Restricted	2,025,967	1,890,786	135,181
Unrestricted	2,041,546	1,170,508	871,038
<b>Total Net Position</b>	<b>\$17,243,587</b>	<b>\$16,482,201</b>	<b>\$761,386</b>

Net position increased \$761,386. Net investment in capital assets decreased \$244,833, which was primarily due to depreciation exceeding additions for the fiscal year. Unrestricted net position increased \$871,038 due primarily to overall revenues exceeding expenses during the fiscal year.

Table 2, on the following page, shows the highlights of 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 method 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, operating grants, contributions and interest, and capital grants and contributions. General Revenues include taxes, unrestricted grants, such as State foundation support, unrestricted gifts and donations, unrestricted investment earnings and miscellaneous revenue.

**East Clinton Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
**Unaudited**

Table 2  
Change in Net Position  
Governmental Activities

<b>Revenues</b>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Program Revenues:			
Charges for Services and Sales	\$1,162,508	\$1,064,112	\$98,396
Operating Grants, Contributions and Interest	2,200,287	2,545,958	(345,671)
Capital Grants and Contributions	78,710	97,938	(19,228)
Total Program Revenues	<u>3,441,505</u>	<u>3,708,008</u>	<u>(266,503)</u>
General Revenues:			
Property Taxes	3,210,167	3,131,394	78,773
Grants and Entitlements not Restricted to Specific Programs	7,672,737	7,550,789	121,948
Investment Earnings	40,313	41,942	(1,629)
Gain on Sale of Capital Assets	10,709	1,330	9,379
Miscellaneous	98,557	81,767	16,790
Total General Revenues	<u>11,032,483</u>	<u>10,807,222</u>	<u>225,261</u>
Total Revenues	<u>14,473,988</u>	<u>14,515,230</u>	<u>(41,242)</u>
<b>Program Expenses</b>			
Instruction:			
Regular	6,281,588	6,339,922	(58,334)
Special	1,385,714	1,497,037	(111,323)
Vocational	90,054	80,519	9,535
Student Intervention Services	34	413	(379)
Support Services:			
Pupils	472,547	420,260	52,287
Instructional Staff	1,015,798	1,046,040	(30,242)
Board of Education	42,437	53,651	(11,214)
Administration	999,587	985,826	13,761
Fiscal	274,110	346,965	(72,855)
Business	3,135	4,418	(1,283)
Operation and Maintenance of Plant	1,164,672	1,179,511	(14,839)
Pupil Transportation	805,812	899,163	(93,351)
Central	63,966	93,682	(29,716)
Operation of Non-Instructional Services:			
Other	193	17,439	(17,246)
Food Service Operations	574,125	698,856	(124,731)
Extracurricular Activities	343,365	351,307	(7,942)
Interest and Fiscal Charges	195,465	144,379	51,086
Total Expenses	<u>13,712,602</u>	<u>14,159,388</u>	<u>(446,786)</u>
Increase in Net Position	761,386	355,842	405,544
Net Position at Beginning of Year	16,482,201	16,126,359	355,842
Net Position at End of Year	<u>\$17,243,587</u>	<u>\$16,482,201</u>	<u>\$761,386</u>

**East Clinton Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
**Unaudited**

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**Governmental Activities**

Property taxes increased \$78,773 due to an increase in valuation.

Grants and entitlements not restricted to specific programs increased \$121,948 due primarily to the increase in enrollment and open enrollment compared to the prior fiscal year. Operating grants, contributions and interest decreased from the prior year as a result of the education jobs grant funding source being eliminated in fiscal year 2013.

Overall expenses decreased slightly in fiscal year 2013 compared to fiscal year 2012. Instruction programs comprise approximately 57 percent of total governmental expenses. Of the instructional expenses, approximately 81 percent is for regular instruction, 18 percent for special instruction, and 1 percent for vocational and student intervention instruction.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants, contributions and interest offsetting those costs. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted state aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, charges for services, fees, and donations.

Table 3  
Governmental Activities

	Total Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2013	Net Cost of Services 2012
Instruction	\$7,757,390	\$7,917,891	\$5,406,986	\$5,392,843
Support Services	4,842,064	5,029,516	4,543,390	4,726,110
Operation of Non- Instructional Services	574,318	716,295	(132,383)	(61,147)
Extracurricular Activities	343,365	351,307	257,639	249,195
Interest and Fiscal Charges	195,465	144,379	195,465	144,379
<b>Total Expenses</b>	<b>\$13,712,602</b>	<b>\$14,159,388</b>	<b>\$10,271,097</b>	<b>\$10,451,380</b>

**The School District's Funds**

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,419,245, expenditures of \$13,361,531, and other financing sources of \$27,681.

The net change in the General Fund balance for the fiscal year was an increase of \$861,924. This increase was a result of the revenues outpacing expenditures. Intergovernmental revenue increased due to an increase in enrollment. The loss of the Education Jobs grant caused an increase in regular instruction expenditures as a result of eight additional teachers now being paid from the General Fund.

***East Clinton Local School District***  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
**Unaudited**

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The Bond Retirement Fund balance increased \$29,126. This is a result of the School District collecting more property tax revenues than what was required to meet its annual debt obligations.

The Permanent Improvement Fund balance increased \$71,890. This was due to a decrease in regular instruction and operation and maintenance of plant expenditures. Regular instruction decreased due to a reduction in purchases compared to the prior fiscal year and operation and maintenance decreased due to the School District working on fewer projects in fiscal year 2013.

**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.

The School District's ending unobligated cash balance was \$518 under the final budgeted amount in the General Fund.

For the General Fund, actual revenue was \$12,110,002, with final budget estimates of \$12,110,762, a difference of \$760. Original budgeted amounts were \$11,552,330, a difference of \$558,432 from final budget estimates.

Budget basis expenditures were \$11,444,193, with final appropriations of \$11,444,435, a difference of \$242. Original estimated expenditures of \$11,835,939 varied from final budget basis expenditures by \$391,504.

**Capital Assets and Debt Administration**

***Capital Assets***

The East Clinton Local School District's investment in capital assets as of June 30, 2013, was \$14,381,858. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows June 30, 2013 balances compared to June 30, 2012:

Table 4  
Capital Assets at June 30  
(Net of Depreciation)  
Governmental Activities

	2013	2012
Land	\$426,976	\$426,976
Buildings and Improvements	12,875,661	13,420,165
Furniture, Fixtures and Equipment	643,360	598,227
Vehicles	435,861	455,608
<b>Totals</b>	<b>\$14,381,858</b>	<b>\$14,900,976</b>

***East Clinton Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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Net capital assets decreased \$519,118 primarily as a result of the current year depreciation expense offset by additions to capital assets.

For more information on capital assets, refer to Note 8 of the Basic Financial Statements.

***Debt***

At June 30, 2013, the School District had \$1,896,698 in bonds outstanding, with \$90,575 due within one year. Table 5 summarizes outstanding bonds:

Table 5  
Outstanding Debt, at June 30,

	2013	2012
2003 - School Improvement Refunding Bonds	\$714,998	\$984,998
Accretion on Capital Appreciation Bonds	593,540	498,772
Premium on Refunding	103,160	128,950
2010 - Energy Conservation Bonds	485,000	520,000
Totals	\$1,896,698	\$2,132,720

School Improvement Refunding Bonds 2003

The School District issued \$2,899,998 in general obligation bonds for the purpose of refunding the 1995 School Improvement Bonds. The bonds were issued for a 14-year period with final maturity in December 2017.

Energy Conservation Bonds 2010

The School District issued \$595,000 in energy conservation bonds for the purpose of making energy efficient upgrades. The bonds were issued for a 15-year period with final maturity in December 2024.

The School District's voted legal debt margin was \$12,215,340 with an energy conservation debt margin of \$775,153 and an unvoted debt margin of \$140,017 at June 30, 2013.

For more information on debt, refer to Note 13 of the Basic Financial Statements.

***East Clinton Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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### **District Challenges for the Future**

School funding in Ohio is still the School District's biggest challenge as we are heavily dependent on State funding. While the Ohio Supreme Court ruled in March 1997 that Ohio's funding of public schools is unconstitutional and needs to be restricted, subsequent Court reviews of the legislature have not adequately responded to the specifics of the ruling. H.B. 66, passed in June 2005, has not helped school districts' financial future. Two of the major issues with H.B. 66 are the phase out of the cost of doing business factor and the phase out of personal tangible property tax with no long-term replacement revenue. Thus, many school districts believe Ohio's public schools continue to be funded through an inadequate and inequitable system.

The State legislature has created other opportunities for school children in Ohio that have caused more funding concerns for Ohio's public schools. The liberalization of home schooling requirements, post-secondary options, intra-district open enrollment, and community school districts have created additional competition for the limited funding available for education in Ohio.

The projection of student enrollment is another issue that is difficult to forecast. During the last several fiscal years, the School District's student enrollment has risen and fallen. These fluctuations make it very difficult to forecast an accurate financial picture of the School District. The transient nature of the School District's residents and students choosing one of the above mentioned alternatives to public education makes estimating the number of students to be funded through the school foundation program difficult.

The School District continues to demonstrate fiscal responsibility by doing whatever is necessary to keep the School District in the "black". Parents, students and staff are to be commended for the commitment of a quality education for the students of the School District. The Board and administrators are hopeful that public school funding in Ohio is a priority for Ohio's political leaders, and that it will permit the School District to continue to provide a quality education for its students.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, 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 John Stanley, Treasurer, at East Clinton Local School District, 97 Astro Way, Sabina, OH 45169.

**East Clinton Local School District**

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,586,177
Accrued Interest Receivable	5,454
Materials and Supplies Inventory	3,039
Inventory Held for Resale	19,659
Intergovernmental Receivable	211,342
Property Taxes Receivable	3,534,181
Capital Assets:	
Land	426,976
Depreciable Capital Assets, Net	<u>13,954,882</u>
<i>Total Assets</i>	<u>23,741,710</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	<u>97,374</u>
<b>Liabilities</b>	
Accounts Payable	18,861
Accrued Wages and Benefits Payable	1,164,817
Intergovernmental Payable	107,186
Matured Compensated Absences Payable	1,264
Accrued Interest Payable	39,021
Long-Term Liabilities:	
Due Within One Year	119,986
Due in More Than One Year	<u>2,147,586</u>
<i>Total Liabilities</i>	<u>3,598,721</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>2,996,776</u>
<b>Net Position</b>	
Net Investment in Capital Assets	13,176,074
Restricted for:	
Capital Projects	535,168
Debt Service	314,263
Classroom Facilities	298,916
Other Purposes	528,543
Library Materials and Services:	
Expendable	49,077
Nonexpendable	300,000
Unrestricted	<u>2,041,546</u>
<i>Total Net Position</i>	<u>\$17,243,587</u>

See Accompanying Notes to the Basic Financial Statements

**East Clinton 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
<b>Governmental Activities</b>					
Instruction:					
Regular	\$6,281,588	\$838,850	\$78,692	\$16,602	(\$5,347,444)
Special	1,385,714	0	1,378,380	0	(7,334)
Vocational	90,054	0	37,880	0	(52,174)
Student Intervention Services	34	0	0	0	(34)
Support Services:					
Pupils	472,547	0	4,883	0	(467,664)
Instructional Staff	1,015,798	0	58,602	0	(957,196)
Board of Education	42,437	0	0	0	(42,437)
Administration	999,587	0	76,408	0	(923,179)
Fiscal	274,110	0	48,543	2,028	(223,539)
Business	3,135	0	0	0	(3,135)
Operation and Maintenance of Plant	1,164,672	2,850	12,745	34,823	(1,114,254)
Pupil Transportation	805,812	0	27,135	25,257	(753,420)
Central	63,966	0	5,400	0	(58,566)
Operation of Non-Instructional Services:					
Other	193	0	0	0	(193)
Food Service Operations	574,125	235,082	471,619	0	132,576
Extracurricular Activities	343,365	85,726	0	0	(257,639)
Interest and Fiscal Charges	195,465	0	0	0	(195,465)
<b>Total Governmental Activities</b>	<b>\$13,712,602</b>	<b>\$1,162,508</b>	<b>\$2,200,287</b>	<b>\$78,710</b>	<b>(10,271,097)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					2,574,225
Debt Service					286,467
Capital Outlay					300,553
Classroom Facilities Maintenance					48,922
Grants and Entitlements not					
Restricted to Specific Programs					7,672,737
Investment Earnings					40,313
Gain on Sale of Capital Assets					10,709
Miscellaneous					98,557
<b>Total General Revenues</b>					<b>11,032,483</b>
<b>Change in Net Position</b>					<b>761,386</b>
<b>Net Position at Beginning of Year</b>					<b>16,482,201</b>
<b>Net Position at End of Year</b>					<b>\$17,243,587</b>

See Accompanying Notes to the Basic Financial Statements

**East Clinton Local School District**

Balance Sheet  
Governmental Funds  
June 30, 2013

	General Fund	Bond Retirement Fund	Permanent Improvement Fund
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,681,579	\$304,275	\$484,888
Materials and Supplies Inventory	0	0	0
Inventory Held for Resale	0	0	0
Accrued Interest Receivable	4,737	0	0
Interfund Receivable	5,848	0	0
Intergovernmental Receivable	27,518	0	0
Property Taxes Receivable	2,829,165	317,473	333,389
<i>Total Assets</i>	<u>\$6,548,847</u>	<u>\$621,748</u>	<u>\$818,277</u>
<b>Liabilities</b>			
Accounts Payable	\$18,607	\$0	\$0
Accrued Wages and Benefits Payable	1,030,849	0	0
Matured Compensated Absences Payable	1,264	0	0
Interfund Payable	0	0	0
Intergovernmental Payable	92,955	0	0
<i>Total Liabilities</i>	<u>1,143,675</u>	<u>0</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>			
Property Tax	2,399,212	268,464	283,109
Unavailable Revenues	221,772	24,473	24,989
<i>Total Deferred Inflows of Resources</i>	<u>2,620,984</u>	<u>292,937</u>	<u>308,098</u>
<b>Fund Balances</b>			
Nonspendable	0	0	0
Restricted	0	328,811	510,179
Committed	28,228	0	0
Assigned	91,919	0	0
Unassigned	2,664,041	0	0
<i>Total Fund Balances</i>	<u>2,784,188</u>	<u>328,811</u>	<u>510,179</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$6,548,847</u>	<u>\$621,748</u>	<u>\$818,277</u>

See Accompanying Notes to the Basic Financial Statements

All Other Governmental Funds	Total Governmental Funds
\$1,115,435	\$5,586,177
3,039	3,039
19,659	19,659
717	5,454
0	5,848
183,824	211,342
54,154	3,534,181
<u>\$1,376,828</u>	<u>\$9,365,700</u>
\$254	\$18,861
133,968	1,164,817
0	1,264
5,848	5,848
14,231	107,186
<u>154,301</u>	<u>1,297,976</u>
45,991	2,996,776
76,385	347,619
<u>122,376</u>	<u>3,344,395</u>
303,039	303,039
797,112	1,636,102
0	28,228
0	91,919
0	2,664,041
<u>1,100,151</u>	<u>4,723,329</u>
<u>\$1,376,828</u>	<u>\$9,365,700</u>

**East Clinton Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2013

**Total Governmental Fund Balances** \$4,723,329

*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	426,976	
Other capital assets	27,908,618	
Accumulated depreciation	<u>(13,953,736)</u>	
Total capital assets		14,381,858

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.

Taxes	267,681	
Intergovernmental	76,809	
Interest	<u>3,129</u>	
		347,619

Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds. 97,374

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (39,021)

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	(818,158)	
Accretion on capital appreciation bonds	(593,540)	
Energy conservation bonds payable	(485,000)	
Compensated absences	<u>(370,874)</u>	
Total liabilities		<u>(2,267,572)</u>

**Net Position of Governmental Activities** \$17,243,587

See Accompanying Notes to the Basic Financial Statements

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

	General Fund	Bond Retirement Fund	Permanent Improvement Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues</b>			
Property Taxes	\$2,569,416	\$285,967	\$300,137
Intergovernmental	8,573,014	48,363	78,710
Investment Earnings	36,378	0	0
Tuition and Fees	838,850	0	0
Rent	2,850	0	0
Extracurricular Activities	0	0	0
Customer Sales and Services	0	0	0
Miscellaneous	95,922	0	0
	<u>12,116,430</u>	<u>334,330</u>	<u>378,847</u>
<i>Total Revenues</i>			
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	5,616,490	0	64,726
Special	898,917	0	0
Vocational	77,813	0	0
Student Intervention Services	34	0	0
Support Services:			
Pupils	463,899	0	0
Instructional Staff	958,769	0	0
Board of Education	42,437	0	0
Administration	920,790	0	0
Fiscal	257,067	7,524	7,908
Business	3,135	0	0
Operation and Maintenance of Plant	1,027,684	0	135,765
Pupil Transportation	696,874	0	98,468
Central	60,804	0	0
Operation of Non-Instructional Services:			
Other	193	0	0
Food Service Operations	0	0	0
Extracurricular Activities	215,748	0	0
Debt Service:			
Principal Retirement	35,000	270,000	0
Interest and Fiscal Charges	6,533	27,680	0
	<u>11,282,187</u>	<u>305,204</u>	<u>306,867</u>
<i>Total Expenditures</i>			
<i>Excess of Revenues Over Expenditures</i>	834,243	29,126	71,980
<b>Other Financing Sources</b>			
Proceeds from Sale of Capital Assets	27,681	0	0
<i>Net Change in Fund Balances</i>	861,924	29,126	71,980
<i>Fund Balances at Beginning of Year</i>	<u>1,922,264</u>	<u>299,685</u>	<u>438,199</u>
<i>Fund Balances at End of Year</i>	<u>\$2,784,188</u>	<u>\$328,811</u>	<u>\$510,179</u>

See Accompanying Notes to the Basic Financial Statements

<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$48,854	\$3,204,374
1,207,029	9,907,116
10,312	46,690
0	838,850
0	2,850
85,726	85,726
235,082	235,082
2,635	98,557
1,589,638	14,419,245
66,625	5,747,841
490,380	1,389,297
0	77,813
0	34
4,882	468,781
57,512	1,016,281
0	42,437
66,143	986,933
1,288	273,787
0	3,135
106,389	1,269,838
0	795,342
5,399	66,203
0	193
578,154	578,154
90,501	306,249
0	305,000
0	34,213
1,467,273	13,361,531
122,365	1,057,714
0	27,681
122,365	1,085,395
977,786	3,637,934
\$1,100,151	\$4,723,329

*East Clinton 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** \$1,085,395

*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	319,531	
Depreciation expense	<u>(821,677)</u>	
Excess of depreciation over capital outlay expense		(502,146)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the Statement of Net Position and offset against the proceeds from the sale of capital assets resulting in a gain on the sale of capital assets in the Statement of Activities.

Proceeds from the sale of capital assets	(27,681)	
Gain on disposal of capital assets	<u>10,709</u>	
		(16,972)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	5,793	
Intergovernmental	37,710	
Interest	<u>531</u>	
		44,034

In the Statement of Activities, interest accrued on outstanding bonds, bond accretion, and bond premium are amortized over the terms of the bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued:

Increase in accrued interest payable	(72,800)	
Accretion on bonds	(94,768)	
Amortization of deferred amount on refunding	(19,474)	
Amortization of bond premium	<u>25,790</u>	
		(161,252)

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:

Principal retirement		305,000
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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:

Decrease in compensated absences payable		<u>7,327</u>
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**Change in Net Position of Governmental Activities** \$761,386

See Accompanying Notes to the Basic Financial Statements

**East Clinton 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
	Original	Final		Variance with (Negative)
<b>Revenues</b>				
Property Taxes	\$2,445,000	\$2,571,990	\$2,571,990	\$0
Intergovernmental	8,312,880	8,549,097	8,549,097	0
Investment Earnings	25,000	57,380	56,568	(812)
Tuition and Fees	699,650	838,870	838,850	(20)
Rent	4,000	2,850	2,850	0
Miscellaneous	65,800	90,575	90,647	72
<i>Total Revenues</i>	<u>11,552,330</u>	<u>12,110,762</u>	<u>12,110,002</u>	<u>(760)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,129,794	5,563,625	5,563,625	0
Special	930,583	912,038	912,038	0
Vocational	74,094	80,033	79,791	242
Student Intervention Services	462	34	34	0
Other	989,223	10,004	10,004	0
Support Services:				
Pupils	425,027	462,133	462,133	0
Instructional Staff	907,740	996,768	996,768	0
Board of Education	47,878	46,962	46,962	0
Administration	902,008	924,927	924,927	0
Fiscal	281,413	270,083	270,083	0
Business	5,865	4,000	4,000	0
Operation and Maintenance of Plant	1,193,771	1,126,944	1,126,944	0
Pupil Transportation	623,683	734,222	734,222	0
Central	45,837	61,204	61,204	0
Operation of Non-Instructional Services	18,500	193	193	0
Extracurricular Activities	218,528	209,732	209,732	0
Principal	35,000	35,000	35,000	0
Interest	6,533	6,533	6,533	0
<i>Total Expenditures</i>	<u>11,835,939</u>	<u>11,444,435</u>	<u>11,444,193</u>	<u>242</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(283,609)</u>	<u>666,327</u>	<u>665,809</u>	<u>(518)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	6,000	27,681	27,681	0
Refund of Prior Year Expenditures	2,000	6,349	6,349	0
Transfers Out	(1,800)	0	0	0
<i>Total Other Financing Sources</i>	<u>6,200</u>	<u>34,030</u>	<u>34,030</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(277,409)</u>	<u>700,357</u>	<u>699,839</u>	<u>(518)</u>
<i>Fund Balance at Beginning of Year</i>	<u>2,739,952</u>	<u>2,739,952</u>	<u>2,739,952</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>115,102</u>	<u>115,102</u>	<u>115,102</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$2,577,645</u></u>	<u><u>\$3,555,411</u></u>	<u><u>\$3,554,893</u></u>	<u><u>(\$518)</u></u>

See Accompanying Notes to the Basic Financial Statements

***East Clinton Local School District***  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$164,211	\$36,195
<b>Liabilities</b>		
Undistributed Monies	0	\$36,195
<b>Net Position</b>		
Held in Trust for Scholarships	164,211	
<i>Total Net Position</i>	\$164,211	

See Accompanying Notes to the Basic Financial Statements

***East Clinton Local School District***  
Statement of Changes in Fiduciary Net Position  
Private Purpose Trust Fund  
For the Year Ended June 30, 2013

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Gifts and Contributions	\$148,165
Interest	311
	148,476
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	250
	148,226
<i>Change in Net Position</i>	148,226
<i>Net Position at Beginning of Year</i>	15,985
	15,985
<i>Net Position at End of Year</i>	\$164,211
	\$164,211

See Accompanying Notes to the Basic Financial Statements

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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

East Clinton Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board 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 Board controls the School District’s four instructional support facilities, staffed by 79 non-certified employees, 104 teaching personnel, and six administrative employees providing education to 1,502 students.

**Reporting Entity**

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

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

The School District participates in six organizations: four jointly governed organizations, one insurance purchasing pool, and one public entity shared risk pool. These organizations are presented in Note 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Miami Valley Educational Computer Association  
Great Oaks Institute of Technology and Career Development  
South Central Ohio League  
Southwestern Ohio Educational Purchasing Council

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group  
Rating Plan

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

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

The financial statements of the East Clinton Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 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.

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 that 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.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into 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. 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 two categories: governmental 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 except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended or transferred according to the general laws of Ohio.

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

Permanent Improvement Fund - This fund accounts for and reports restricted property taxes related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

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

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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 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, which consist of a student body, student president, student treasurer, and faculty advisor.

**Measurement Focus**

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of 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.

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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the 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. Government-wide financial statements and the financial statements of the 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/outflows of resources, and in the presentation of expenses versus expenditures.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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 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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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 accrued 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.

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 deferred inflows of resources 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 that will not be collected within the available period. For the School District, unavailable revenue includes grants and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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.

Expenses/Expenditures

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

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 are maintained in the pool. Individual fund integrity is maintained through School District's records. 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 Goldman Sachs Financial Square Money Market Mutual Fund, U.S. Treasury Money Market Mutual Fund, and negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as negotiable certificates of deposit, are reported at cost. For investments in open-ended mutual funds, the fair value is determined by the fund's current share price.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest credited to the General Fund during fiscal year 2013 amounted to \$36,378, which includes \$12,069 assigned from other School District funds.

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable." Interfund balances are eliminated in Statement of Net Position.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of purchased and donated 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 \$1,500. 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 an asset's life are not capitalized.

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>
Buildings and Improvements	20-40 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	10 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.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent that 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.

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 governmental 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 in the current fiscal year. Bonds that will be paid from governmental funds are recognized as an expenditure and liability in 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 are 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 the highest level of 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.

*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

***East Clinton Local School District***  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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. The treasurer has been given authority to assign amounts for these purposes by the School District Board of Education.

*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 balances, 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. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

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

### **Internal Activity**

Transfers within governmental activities 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. Interfund payments for services provided and used are not eliminated.

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.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**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 appropriation resolution, and the certificate of estimated resources, 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 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. Any budgetary modifications at this level may only be made by resolution of the Board of Education. 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 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.

**Bond Premiums and Compounded Interest on Capital Appreciation Bonds**

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. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds 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 in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

**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.

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

**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:

Fund Balances	General	Bond Retirement	Permanent Improvement	All Other Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Endowment Fund	\$0	\$0	\$0	\$300,000	\$300,000
Inventory	0	0	0	3,039	3,039
<b><i>Total Nonspendable</i></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>303,039</b>	<b>303,039</b>
<b><i>Restricted for</i></b>					
Debt Payments	0	328,811	0	0	328,811
Food Service Operations	0	0	0	382,956	382,956
District Managed Activity	0	0	0	30,001	30,001
Teacher Quality	0	0	0	1,006	1,006
Title I	0	0	0	3,709	3,709
Title VI-B	0	0	0	2,440	2,440
Capital Maintenance	0	0	0	294,862	294,862
Capital Improvements	0	0	510,179	0	510,179
Library Services	0	0	0	48,880	48,880
Fine Arts Activity	0	0	0	33,258	33,258
<b><i>Total Restricted</i></b>	<b>0</b>	<b>328,811</b>	<b>510,179</b>	<b>797,112</b>	<b>1,636,102</b>
<b><i>Committed to</i></b>					
Underground Storage	11,000	0	0	0	11,000
Termination Benefits	17,228	0	0	0	17,228
<b><i>Total Committed</i></b>	<b>28,228</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,228</b>
<b><i>Assigned to</i></b>					
Purchases on Order	91,919	0	0	0	91,919
<b><i>Unassigned</i></b>					
	2,664,041	0	0	0	2,664,041
<b><i>Total Fund Balances</i></b>	<b>\$2,784,188</b>	<b>\$328,811</b>	<b>\$510,179</b>	<b>\$1,100,151</b>	<b>\$4,723,329</b>

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 and Actual (Budget Basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures 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).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$861,924
Adjustments:	
Revenue Accruals	2,185
Net Decrease in Fair Value of Investments - Fiscal Year 2012	(2,552)
Unreported Cash/Interest:	
Beginning of Fiscal Year	21,024
End of Fiscal Year	(20,736)
Expenditure Accruals	(50,496)
Encumbrances	(111,510)
Budget Basis	<u><u>\$699,839</u></u>

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits 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.

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 that 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 the 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 or Ohio Local Governments;
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.

***East Clinton Local School District***  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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.

**Investments**

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

Investment Type	Fair Value	Investment Maturities (in Years)			Moody Rating	Percent of Total Investments
		Less Than 1	1-3	3-5		
Goldman Sachs Financial Square Money Market Mutual Fund	\$10,199	\$10,199	\$0	\$0	Aaa	N/A
U.S. Treasury Money Market Mutual Fund	6,491	6,491	0	0	Aaa	N/A
Negotiable Certificates of Deposit	2,143,913	741,887	1,204,598	197,428	N/A	99.23%
<b>Total Investments</b>	<b>\$2,160,603</b>	<b>\$758,577</b>	<b>\$1,204,598</b>	<b>\$197,428</b>		

**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 Goldman Sachs Financial Square Money Market Mutual Fund and U.S. Treasury Money Market Mutual Fund carry ratings of Aaa by Moody's. Ohio law requires that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices. The negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. The School District has no investment policy that addresses credit risk.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer.

**NOTE 6 - 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.

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 law 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 Clinton and Highland 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 County 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 amounts available as an advance at June 30, 2013 were \$215,788 in the General Fund, \$24,536 in the Bond Retirement Fund, \$25,291 in the Permanent Improvement Fund, and \$4,109 in the Classroom Facilities Maintenance Fund. The amounts available as an advance at June 30, 2012, were \$218,362 in the General Fund, \$24,788 in the Bond Retirement Fund, \$25,912 in the Permanent Improvement Fund, and \$4,214 in the Classroom Facilities Maintenance Fund.

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

On an 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 fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$133,537,060	96.67%	\$134,347,510	95.95%
Public Utility	4,601,080	3.33%	5,669,460	4.05%
Total Assessed Value	\$138,138,140	100.00%	\$140,016,970	100.00%
Tax rate per \$1,000 of assessed valuation	\$35.30		\$35.30	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2013 consisted of interest, intergovernmental grants, interfund, and property taxes. All receivables, except delinquent property taxes, are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current year guarantee of federal funds. 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 the principal items of intergovernmental receivables follows:

	Amounts
<u>Governmental Activities:</u>	
Title VI-B - Grant	\$81,396
Title I Grant	83,831
Early Childhood Special Education Grant	503
Title II-A	18,094
Bureau of Workers Compensation	22,843
SERS	4,675
Total Intergovernmental Receivables	\$211,342

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance at 6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/13</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$426,976	\$0	\$0	\$426,976
Capital Assets Being Depreciated:				
Buildings and Improvements	23,928,748	103,190	0	24,031,938
Furniture, Fixtures and Equipment	2,636,563	129,529	(2,555)	2,763,537
Vehicles	1,196,052	86,812	(169,721)	1,113,143
Total Capital Assets Being Depreciated	<u>27,761,363</u>	<u>319,531</u>	<u>(172,276)</u>	<u>27,908,618</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(10,508,583)	(647,694)	0	(11,156,277)
Furniture, Fixtures and Equipment	(2,038,336)	(84,396)	2,555	(2,120,177)
Vehicles	(740,444)	(89,587)	152,749	(677,282)
Total Accumulated Depreciation	<u>(13,287,363)</u>	<u>(821,677) *</u>	<u>155,304</u>	<u>(13,953,736)</u>
Total Capital Assets Being Depreciated, Net	<u>14,474,000</u>	<u>(502,146)</u>	<u>(16,972)</u>	<u>13,954,882</u>
Governmental Activities Capital Assets, Net	<u>\$14,900,976</u>	<u>(\$502,146)</u>	<u>(\$16,972)</u>	<u>\$14,381,858</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$546,421
Special	1,991
Vocational	11,111
Support Services:	
Administration	13,648
Operation and Maintenance of Plant	103,998
Pupil Transportation	102,599
Operation of Non-Instructional Services	4,476
Extracurricular Activities	37,433
Total Depreciation Expense	<u><u>\$821,677</u></u>

**NOTE 9 - 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. The School District contracts with Arthur J. Gallagher & Co. for property and fleet insurance and liability insurance.

Settled claims have not exceeded this coverage in any of the past three fiscal years. There have been no significant changes in coverage during the fiscal year.

**Workers' Compensation**

For fiscal year 2013, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience, and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

**Medical and Dental Benefits**

For fiscal year 2013, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool (Note 15). The School District pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

Plan Description – The School District contributes to 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 may be obtained by visiting the SERS website at [www.ohsers.org](http://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 \$271,535, \$353,179, and \$308,559, respectively. For fiscal year 2013, 78.74 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.

**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](http://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.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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 fiscal years ended June 30, 2013, 2012, and 2011 were \$579,390, \$616,531, and \$617,044, respectively. For fiscal year 2013, 98.96 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 \$6,823 made by the School District and \$4,874 made by the plan members. In addition, member contributions of \$11,512 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

#### **NOTE 11 - 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 (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 the SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

***East Clinton Local School District***  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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 \$32,888 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 \$52,655, \$43,765, and \$66,150, respectively. For fiscal year 2013, 78.74 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.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 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 \$15,884, \$20,857, and \$19,856 respectively. For fiscal year 2013, 78.74 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.

**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. 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](http://www.strsoh.org) or by calling (888) 227-7877.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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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 one 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 \$44,568, \$47,425, and \$47,465, respectively. For fiscal year 2013, 98.96 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 12 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees at the end of each fiscal year. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 50 days. An employee who has the maximum number of sick leave days accumulated at the time of retirement shall receive an additional three days severance.

**Insurance Benefits**

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

**Retirement Incentive**

The School District offers a retirement incentive for certified employees who retire in the fiscal year in which they are first eligible. Eligible employees receive a \$12,000 lump sum payment. The Board may make the payment in two equal installments. The first payment shall be made within 15 days of the Treasurer's receipt of written confirmation from STRS that the employee is retired and receiving STRS benefits. The second payment shall be made the following January.

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

**NOTE 13 - LONG-TERM OBLIGATIONS**

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

	Amount Outstanding 6/30/2012	Additions	Deductions	Amount Outstanding 6/30/2013	Amounts Due in One Year
<b><u>Governmental Activities:</u></b>					
2003 School Improvement					
Refunding Bonds:					
Serial Bonds 1.50%-4.10%	\$840,000	\$0	\$270,000	\$570,000	\$0
Capital Appreciation Bonds 16.56%	144,998	0	0	144,998	55,575
Accretion on Capital					
Appreciation Bonds	498,772	94,768	0	593,540	0
Premium on Debt Issuance	128,950	0	25,790	103,160	0
Total Refunded Bonds	1,612,720	94,768	295,790	1,411,698	55,575
Energy Conservation Bonds 2010	520,000	0	35,000	485,000	35,000
Compensated Absences	378,201	9,188	16,515	370,874	29,411
TOTAL - Governmental Activities					
Long-term Obligations	<u>\$2,510,921</u>	<u>\$103,956</u>	<u>\$347,305</u>	<u>\$2,267,572</u>	<u>\$119,986</u>

**School Improvement Refunding Bonds 2003**

On October 28, 2003, the School District issued \$2,899,998 in general obligation bonds for the purpose of advance refunding the 1995 School Improvement Bonds. Of these bonds, \$2,755,000 are serial bonds and \$144,998 are capital appreciation bonds. The bonds were issued for a 14-year period with final maturity in December 2017. The bonds will be retired from the Bond Retirement Fund.

The serial bonds maturing December 1, 2016 and December 1, 2017 are subject to optional redemption, in whole or in part, on any date in any order of maturity on or after December 1, 2013 at par, which is 100 percent of the face value of the bonds.

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal years 2014 through 2016. The maturity amount of the capital appreciation bonds will be \$275,000 in 2014 and \$280,000 per fiscal year in 2015 and 2016. For fiscal year 2013, the capital appreciation bonds were accreted \$94,768.

The School District defeased the 1995 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. All the bonds were called and paid.

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

Energy Conservation Bonds 2010

On February 5, 2010, the School District issued \$595,000 in energy conservation bonds for the purpose of making energy efficient upgrades. The bonds were issued for a 15-year period with final maturity in December 2024. The bonds will be retired from the General Fund.

Compensated absences will be paid from the General Fund.

The School District's voted legal debt margin was \$12,215,340 with an energy conservation debt margin of \$775,153 and an unvoted debt margin of \$140,017 at June 30, 2013.

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

School Improvement Refunding Bonds 2003

Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Bonds Principal	Capital Appreciation Bonds Interest	Total
2014	\$0	\$242,515	\$55,575	\$219,425	\$517,515
2015	0	254,829	48,261	231,739	534,829
2016	0	261,927	41,162	238,838	541,927
2017	280,000	11,545	0	0	291,545
2018	290,000	11,890	0	0	301,890
Total	<u>\$570,000</u>	<u>\$782,706</u>	<u>\$144,998</u>	<u>\$690,002</u>	<u>\$2,187,706</u>

Energy Conservation Bonds 2010

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$35,000	\$6,078	\$41,078
2015	40,000	5,590	45,590
2016	40,000	5,070	45,070
2017	40,000	4,550	44,550
2018	40,000	4,030	44,030
2019-2023	200,000	12,350	212,350
2024-2025	90,000	1,170	91,170
Total	<u>\$485,000</u>	<u>\$38,838</u>	<u>\$523,838</u>

**NOTE 14 - INTERFUND ACTIVITY**

As of June 30, 2013, interfund receivables and payables that resulted from various interfund transactions were as follows:

<b>Payable</b>	<b>Receivable</b>
All Other Governmental	General
	<u>\$5,848</u>

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL**

**Jointly Governed Organizations**

*Miami Valley Educational Computer Association*

The School District is a participant in the Miami Valley Educational Computer Association (MVECA), which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene, Highland and Madison 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 districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts, except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$43,549 for services provided during fiscal year 2013. Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

*Great Oaks Institute of Technology and Career Development*

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

*South Central Ohio League*

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

***East Clinton Local School District***  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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*Southwestern Ohio Educational Purchasing Council*

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 130 school districts and educational service centers in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to the SOEPC are made from the General Fund. During fiscal year 2013, the School District paid \$865 to SOEPC for membership dues. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**Insurance Purchasing Pool**

*Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan*

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP's business and affairs are conducted by the Southwestern Ohio Educational Purchasing Cooperative and the participating members of the GRP. The Benefits Administrator of the SOEPC coordinates the management and administration of the GRP. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

*Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust*

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**NOTE 16 - 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.

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

	<u>Capital Acquisitions</u>
Set-aside Balance as of June 30, 2012	\$0
Current Fiscal Year Set-aside Requirement	240,543
Current Fiscal Year Offsets	(306,867)
Qualifying Disbursements	0
<i>Totals</i>	<u>(\$66,324)</u>
<i>Set-aside Balance as of June 30, 2013</i>	<u>\$0</u>

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

**NOTE 17 - 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**Litigation**

The School District is not currently party to legal proceedings.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**NOTE 18 – SIGNIFICANT COMMITMENTS**

**Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$111,585
Permanent Improvement	225,240
Nonmajor Governmental Funds	3,112
Total	<u><u>\$339,937</u></u>

**NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, “The 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,”.

GASB Statement No. 61 modified 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 balances.

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.

## **SUPPLEMENTARY DATA**

**EAST CLINTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(D)(E) <b>Child Nutrition Grant Cluster:</b> School Breakfast Program	10.553	2013	\$ 104,726	\$ 104,726
(C)(E) National School Lunch Program-Food Donations	10.555	2013	36,792	36,792
(D)(E) National School Lunch Program	10.555	2013	304,594	304,594
<b>Total National School Lunch Program</b>			<u>341,386</u>	<u>341,386</u>
<b>Total U.S. Department of Agriculture and Child Nutrition Grant Cluster</b>			<u>446,112</u>	<u>446,112</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Title I Grant:</b>				
Title I Grants to Local Educational Agencies	84.010	2012	58,865	59,433
Title I Grants to Local Educational Agencies	84.010	2013	277,180	282,519
<b>Total Title I Grant</b>			<u>336,045</u>	<u>341,952</u>
<b>Special Education Grant Cluster:</b>				
(F) Special Education_Grants to States	84.027	2012	46,548	46,570
(F) Special Education_Grants to States	84.027	2013	222,643	222,089
<b>Total Special Education Grants to States</b>			<u>269,191</u>	<u>268,659</u>
(F) Special Education_Preschool Grants	84.173	2013	4,644	5,147
<b>Total Special Education Grant Cluster</b>			<u>273,835</u>	<u>273,806</u>
Educational Technology State Grants	84.318	2012	2,619	-
Improving Teacher Quality State Grants	84.367	2012	12,150	11,896
Improving Teacher Quality State Grants	84.367	2013	64,496	63,745
<b>Total Improving Teacher Quality State Grants</b>			<u>76,646</u>	<u>75,641</u>
Education Jobs Grant	84.410	2012	-	1,589
<b>Total U.S. Department of Education</b>			<u>689,145</u>	<u>692,988</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,135,257</u>	<u>\$ 1,139,100</u>

- (A) OAKS did not assign pass through numbers for fiscal year 2013.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of the "Child Nutrition Grant Cluster" in determining major programs.
- (F) Included as part of the "Special Education Grant Cluster" in determining major programs.



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*Serving Ohio Local Governments*

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

East Clinton Local District  
Clinton County  
97 Astro Way  
Sabina, Ohio 45169

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 the East Clinton Local School District, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the East Clinton Local School District's basic financial statements and have issued our report thereon dated November 25, 2013.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the East Clinton Local School 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 East Clinton Local School 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 East Clinton Local School 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.

Board of Education  
East Clinton Local School District

***Compliance and Other Matters***

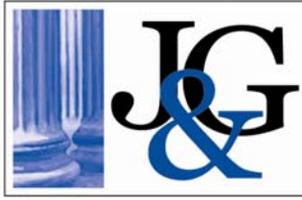
As part of reasonably assuring whether the East Clinton Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 East Clinton Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the East Clinton Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
November 25, 2013



**Julian & Grube, Inc.**  
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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**

East Clinton Local School District  
Clinton County  
97 Astro Way  
Sabina, Ohio 45169

To the Board of Education:

***Report on Compliance for Each Major Federal Program***

We have audited the East Clinton Local School District's 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 East Clinton Local School District's major federal program for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the East Clinton Local School District's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to opine on the East Clinton Local School District's compliance for each of the East Clinton Local School 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 East Clinton Local School 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 East Clinton Local School District's major program. However, our audit does not provide a legal determination of the East Clinton Local School District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the East Clinton 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 fiscal year ended June 30, 2013.

Board of Education  
East Clinton Local School District

***Report on Internal Control Over Compliance***

The East Clinton Local School 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 East Clinton Local School 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 East Clinton Local School 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 internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
November 25, 2013

**EAST CLINTON LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

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

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

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None



# Dave Yost • Auditor of State

**EAST CLINTON LOCAL SCHOOL DISTRICT**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 21, 2014**