

CLINTON-MASSIE LOCAL SCHOOL DISTRICT



Basic Financial Statements

June 30, 2011



Dave Yost • Auditor of State

Board of Education
Clinton Massie Local School District
2556 Lebanon Road
Clarksville, Ohio 45113

We have reviewed the *Independent Auditors' Report* of the Clinton Massie Local School District, Clinton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 Clinton Massie 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 18, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Education
Clinton-Massie Local School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton-Massie Local School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17 to the financial statements, during the year ended June 30, 2011, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 9, 2011

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

The discussion and analysis of Clinton-Massie Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- Net assets of governmental activities decreased \$700,715 which represents a 2% decrease from 2010.
- General revenues accounted for \$14,387,371 in revenue or 79% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,877,548 or 21% of total revenues of \$18,264,919 .
- The District had \$18,965,634 in expenses related to governmental activities; \$3,877,548 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,387,371 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2011?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting 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.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

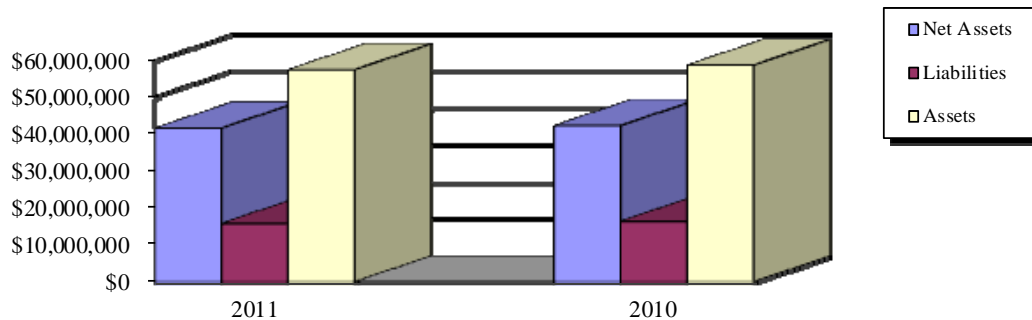
The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

**Table 1
Net Assets**

	Governmental Activities	
	2011	2010
Assets:		
Current and Other Assets	\$12,023,908	\$12,324,578
Capital Assets	45,207,906	46,189,918
Total Assets	57,231,814	58,514,496
Liabilities:		
Other Liabilities	6,521,372	6,783,378
Long-Term Liabilities	9,140,597	9,477,784
Total Liabilities	15,661,969	16,261,162
Net Assets:		
Invested in Capital Assets, Net of Related Debt	36,821,637	37,635,017
Restricted	2,842,208	2,940,647
Unrestricted	1,906,000	1,694,896
Total Net Assets	\$41,569,845	\$42,270,560



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$41,569,845.

At year-end, capital assets represented 79% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, was \$36,821,637. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

A portion of the District's net assets, \$2,842,208 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital assets decreased due to additions being less than depreciation expense for the fiscal year. Liabilities decreased from 2010 as a result of the District making regularly scheduled debt payments.

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues		
Charges for Services	\$1,616,425	\$1,370,435
Operating Grants, Contributions	2,261,123	1,640,843
General Revenues:		
Property Taxes	5,308,882	5,299,437
Grants and Entitlements	8,433,522	9,211,398
Other	644,967	54,025
Total Revenues	<u>18,264,919</u>	<u>17,576,138</u>
Program Expenses:		
Instruction	10,689,377	11,159,982
Support Services:		
Pupil and Instructional Staff	1,929,743	2,251,945
School Administrative, General Administration, Fiscal and Business	1,651,631	1,711,354
Operations and Maintenance	1,748,375	1,829,284
Pupil Transportation	1,116,164	1,028,501
Central	5,975	4,040
Operation of Non-Instructional Services	703,599	687,645
Extracurricular Activities	554,140	581,800
Interest and Fiscal Charges	566,630	635,371
Total Program Expenses	<u>18,965,634</u>	<u>19,889,922</u>
Change in Net Assets	(700,715)	(2,313,784)
Net Assets Beginning of Year	<u>42,270,560</u>	<u>44,584,344</u>
Net Assets End of Year	<u>\$41,569,845</u>	<u>\$42,270,560</u>

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

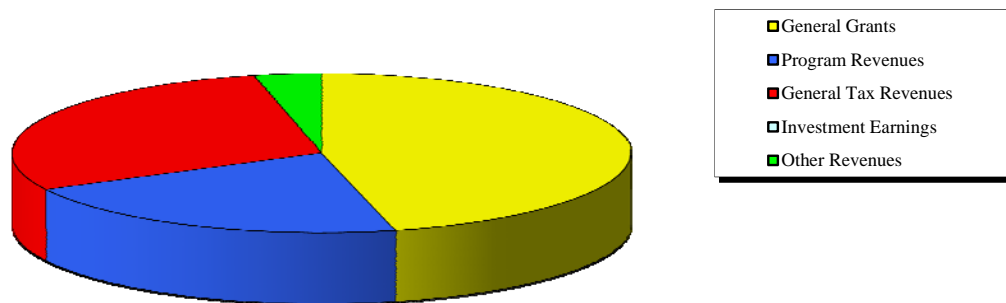
The District revenues are mainly from two sources. Property taxes levied for general, special revenue, debt service and capital projects purposes and grants and entitlements comprised 75.2% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 29% of revenue for governmental activities for the District in fiscal year 2011.

**Governmental Activities
Revenue Sources**

Revenue Sources	2011	Percentage
General Grants	\$8,433,522	46.17%
Program Revenues	\$3,877,548	21.23%
General Tax Revenues	\$5,308,882	29.07%
Investment Earnings	\$2,999	0.02%
Other Revenues	641,968	3.51%
Total Revenue Sources	\$18,264,919	100.00%



Instruction comprises 56.4% of governmental program expenses. Support services expenses were 34.0% of governmental program expenses. All other expenses including interest expense were 9.6% . Interest expense was attributable to the outstanding bonds and borrowing for capital projects.

Revenue increased by 3.9% from 2010 to 2011. The decrease was mainly due to an increase in operating grants and contributions.

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$10,689,377	\$11,159,982	(\$8,694,728)	(\$9,895,624)
Support Services:				
Pupil and Instructional Staff	1,929,743	2,251,945	(1,661,386)	(1,994,944)
School Administrative, General				
Administration, Fiscal and Business	1,651,631	1,711,354	(1,650,174)	(1,668,419)
Operations and Maintenance	1,748,375	1,829,284	(1,087,153)	(1,306,111)
Pupil Transportation	1,116,164	1,028,501	(1,081,810)	(993,472)
Central	5,975	4,040	(975)	960
Operation of Non-Instructional Services	703,599	687,645	9,447	5,592
Extracurricular Activities	554,140	581,800	(354,677)	(391,255)
Interest and Fiscal Charges	566,630	635,371	(566,630)	(635,371)
Total Expenses	\$18,965,634	\$19,889,922	(\$15,088,086)	(\$16,878,644)

The District's Funds

The District has three major governmental funds: the General Fund, the Debt Service Fund and the Classroom Facilities Fund. Assets of the general fund comprised \$8,356,349 (70%), assets of the debt service fund comprised \$1,700,032 (14%) and assets of the classroom facilities fund comprised \$1,275,556 (11%) of the total \$11,861,283 governmental funds assets.

General Fund: Fund balance at June 30, 2011 was \$2,176,205; a decrease in fund balance of \$260,704 from 2010.

Debt Service Fund: Fund balance at June 30, 2011 was \$1,113,422; a decrease in fund balance of \$129,007 from 2010.

Classroom Facilities Fund: Fund balance at June 30, 2011 was \$1,275,556; an increase in fund balance of \$9,396 from 2010.

General Fund Budgeting Highlights

The 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. The most significant budgeted fund is the General Fund.

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

During the course of fiscal 2011, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$14,121,803, compared to original budget estimates of \$13,786,043. Of the \$335,760 difference, most was due to an under estimate for taxes and intergovernmental revenue.

The District's general fund ending unobligated cash balance was \$3,216,882 at fiscal year end.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the District had \$45,207,906 invested in land, land improvements, buildings and improvements, equipment and vehicles. Table 4 shows fiscal 2011 balances compared to fiscal 2010:

**Table 4
Capital Assets at Year End
(Net of Depreciation)**

	Governmental Activities	
	2011	2010
Land	\$462,953	\$462,953
Land Improvements	1,587,960	1,248,155
Buildings and Improvements	41,802,767	43,063,010
Equipment	959,871	1,075,410
Vehicles	394,355	340,390
Total Net Capital Assets	<u>\$45,207,906</u>	<u>\$46,189,918</u>

The decrease in capital assets is due to additions being less than depreciation expense for the fiscal year.

See Note 6 to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2011, the District had \$8,386,269 in bonds and capital leases outstanding, \$536,278 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2011	2010
Bonds Payable:		
1998 Refunding Bonds	\$83,721	\$174,122
2001 High School	527,502	7,865,000
2009 Qualified School Construction	450,000	480,000
2011 Current Interest Bonds	6,790,000	0
2011 Capital Appreciation Bonds	274,995	0
2011 Refunding - Premium	507,265	0
2011 Refunding - Deferred Amount	(344,640)	0
Capital Lease Payable:		
Capital Lease	97,426	176,609
	<u>\$8,386,269</u>	<u>\$8,695,731</u>

See Notes 7-8 to the basic financial statements for further details on the District's long-term liabilities.

For the Future

The District is on reasonably solid financial ground for the next two years. At the end of fiscal year 2011, the District had almost 3 months of unencumbered operating reserves. This financial health has been a consistent strength over the past decade; as Clinton-Massie has not had an operating levy on the ballot in over 20 years, which is very unusual given the current school funding climate in Ohio. With slow growth enrollment in the past two years, the Board decided to implement Open Enrollment in fiscal year 2010 and had an overwhelming number of applicants. The district accepted almost 90 Open Enrollment students in fiscal year 2010 and 120 Open Enrollment students in fiscal year 2011 which really helped prop up the declining revenue stream and has continued to remain steady into fiscal year 2012. Another revenue stream that began in fiscal year 2011 was personal property taxes from the completion of the Rockies Express Pipeline. The District received half a year of tax collections in fiscal year 2011 and will receive a full year of tax collections in fiscal year 2012.

Due to heavy funding by the state, the District is highly susceptible to any/all changes made to the school funding formula. State funding declined in fiscal years 2010 and 2011 and declined further in fiscal year 2012. This apparent trend in decreased support from the state has and will continue to present challenges. Operational expenditures continue to increase at a higher rate than increases in state and local revenues. As increases in expenditures outpace revenues in future years, costs and programs must be reduced or new sources of revenues must be found. The District is currently weighing alternatives, and making various cost-conscious changes, where possible, before going to the voters to ask for more local tax dollars. However, without major reform to the state funding system, a tax levy will be needed in the near future.

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

The District added a new High School in fiscal year 2005, a renovated Middle School in fiscal year 2009, and a new Elementary School in fiscal year 2010. The old elementary building was partially demolished with the remaining space being available for use as needed by the District. The Warren County YMCA began leasing space in the old elementary for a daycare, and the two gymnasiums are also in use throughout the year for various sports and activities. Starting with fiscal year 2011, the District began utilizing some of the old elementary to house two ED Units and the Alternative School which had previously been contracted out and will produce a cost savings to the District.

Academically, the District was rated as "Excellent with Distinction" by ODE for the 2009-2010 and the 2010-2011 school years. Administration will continue to work diligently to retain this rating. The District strives to make good use of the financial resources it has been entrusted with and will continue to pursue excellence in every area.

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 District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to, Clinton-Massie Local School District, Tracy Parker, Treasurer, 2556 Lebanon Road, Clarksville, Ohio 45113.

Clinton-Massie Local School District, Ohio
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$6,079,650
Receivables:	
Taxes	5,667,417
Accounts	36,441
Interest	37
Intergovernmental	63,532
Deferred Bond Issuance Costs	162,625
Inventory	14,206
Nondepreciable Capital Assets	462,953
Depreciable Capital Assets, Net	<u>44,744,953</u>
 Total Assets	 <u>57,231,814</u>
 Liabilities:	
Accounts Payable	146,308
Accrued Wages and Benefits	1,624,332
Accrued Interest Payable	52,306
Unearned Revenue	4,698,426
Long-Term Liabilities:	
Due Within One Year	691,497
Due In More Than One Year	<u>8,449,100</u>
 Total Liabilities	 <u>15,661,969</u>
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	36,821,637
Restricted for:	
Food Service	39,746
Debt Service	1,290,063
Capital Projects	1,277,056
Classroom Facilities Maintenance	174,757
District Managed Student Activities	56,979
Other Purposes	3,607
Unrestricted	<u>1,906,000</u>
 Total Net Assets	 <u><u>\$41,569,845</u></u>

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$8,545,649	\$848,483	\$118,011	(\$7,579,155)
Special	1,094,036	94,759	663,810	(335,467)
Vocational	0	0	1,857	1,857
Other	1,049,692	0	267,729	(781,963)
Support Services:				
Pupil	889,182	0	5,464	(883,718)
Instructional Staff	1,040,561	0	262,893	(777,668)
General Administration	74,387	0	0	(74,387)
School Administration	1,173,653	0	208	(1,173,445)
Fiscal	403,542	699	550	(402,293)
Business	49	0	0	(49)
Operations and Maintenance	1,748,375	13,500	647,722	(1,087,153)
Pupil Transportation	1,116,164	0	34,354	(1,081,810)
Central	5,975	0	5,000	(975)
Operation of Non-Instructional Services	703,599	459,521	253,525	9,447
Extracurricular Activities	554,140	199,463	0	(354,677)
Interest and Fiscal Charges	566,630	0	0	(566,630)
Total Governmental Activities	\$18,965,634	\$1,616,425	\$2,261,123	(15,088,086)

General Revenues:	
Property Taxes Levied for:	
General Purposes	4,472,832
Special Revenue Purposes	84,654
Debt Service Purposes	689,935
Capital Projects Purposes	61,461
Grants and Entitlements not Restricted	8,433,522
Revenue in Lieu of Taxes	10,163
Unrestricted Contributions	448,382
Investment Earnings	2,999
Other Revenues	183,423
Total General Revenues	14,387,371
Change in Net Assets	(700,715)
Net Assets Beginning of Year	42,270,560
Net Assets End of Year	\$41,569,845

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2011

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$3,404,102	\$1,046,212	\$1,274,576	\$354,760	\$6,079,650
Receivables:					
Taxes	4,926,416	649,753	0	91,248	5,667,417
Accounts	25,802	4,067	972	5,600	36,441
Interest	29	0	8	0	37
Intergovernmental	0	0	0	63,532	63,532
Inventory	0	0	0	14,206	14,206
Total Assets	8,356,349	1,700,032	1,275,556	529,346	11,861,283
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	116,061	0	0	30,247	146,308
Accrued Wages and Benefits	1,494,609	0	0	129,723	1,624,332
Compensated Absences	49,584	0	0	0	49,584
Deferred Revenue	4,519,890	586,610	0	84,483	5,190,983
Total Liabilities	6,180,144	586,610	0	244,453	7,011,207
Fund Balances:					
Nonspendable	0	0	0	14,206	14,206
Restricted	0	1,113,422	1,275,556	311,053	2,700,031
Assigned	110,472	0	0	1,500	111,972
Unassigned	2,065,733	0	0	(41,866)	2,023,867
Total Fund Balances	2,176,205	1,113,422	1,275,556	284,893	4,850,076
Total Liabilities and Fund Balances	\$8,356,349	\$1,700,032	\$1,275,556	\$529,346	\$11,861,283

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2011

Total Governmental Fund Balance		\$4,850,076
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		45,207,906
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	491,496	
Intergovernmental	<u>1,061</u>	
		492,557
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(52,306)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(704,744)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		162,625
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(8,386,269)</u>
Net Assets of Governmental Activities		<u><u>\$41,569,845</u></u>

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$4,444,274	\$681,909	\$0	\$84,654	\$5,210,837
Revenue in lieu of taxes	10,163	0	0	0	10,163
Tuition and Fees	943,242	0	0	0	943,242
Investment Earnings	2,643	0	685	0	3,328
Intergovernmental	8,844,251	96,152	9	1,754,654	10,695,066
Extracurricular Activities	42,868	0	0	113,172	156,040
Charges for Services	1,422	0	0	500,281	501,703
Gifts and Donations	0	0	0	442,900	442,900
Other Revenues	76,249	4,067	76,969	45,578	202,863
Total Revenues	14,365,112	782,128	77,663	2,941,239	18,166,142
Expenditures:					
Current:					
Instruction:					
Regular	6,952,587	0	0	125,584	7,078,171
Special	903,705	0	0	202,051	1,105,756
Other	861,865	0	0	187,827	1,049,692
Support Services:					
Pupil	868,972	0	0	19,072	888,044
Instructional Staff	844,550	0	0	172,017	1,016,567
General Administration	74,387	0	0	0	74,387
School Administration	1,155,080	0	0	0	1,155,080
Fiscal	385,509	15,812	0	2,970	404,291
Business	49	0	0	0	49
Operations and Maintenance	985,636	0	0	749,952	1,735,588
Pupil Transportation	992,500	0	0	34,444	1,026,944
Central	16	0	0	4,981	4,997
Operation of Non-Instructional Services	0	0	0	705,134	705,134
Extracurricular Activities	377,677	0	0	167,899	545,576
Capital Outlay	108,516	0	68,267	442,900	619,683
Debt Service:					
Principal Retirement	109,183	345,401	0	0	454,584
Interest and Fiscal Charges	16,285	549,922	0	0	566,207
Bond Issuance Costs	0	162,625	0	0	162,625
Total Expenditures	14,636,517	1,073,760	68,267	2,814,831	18,593,375
Excess of Revenues Over (Under) Expenditures	(271,405)	(291,632)	9,396	126,408	(427,233)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	10,701	0	0	0	10,701
Payments to Refunding Bond Escrow Agent	0	(7,409,635)	0	0	(7,409,635)
Issuance of Refunding Bonds	0	7,064,995	0	0	7,064,995
Refunding Bond Premium	0	507,265	0	0	507,265
Total Other Financing Sources (Uses)	10,701	162,625	0	0	173,326
Net Change in Fund Balance	(260,704)	(129,007)	9,396	126,408	(253,907)
Fund Balance Beginning of Year, Restated	2,436,909	1,242,429	1,266,160	158,485	5,103,983
Fund Balance End of Year	\$2,176,205	\$1,113,422	\$1,275,556	\$284,893	\$4,850,076

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balance - Total Governmental Funds (253,907)

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	713,013	
Depreciation Expense	<u>(1,679,284)</u>	(966,271)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (15,741)

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

Delinquent Property Taxes	97,716	
Intergovernmental	<u>(1,455)</u>	96,261

In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.

Bond Issuance Costs	\$162,625	
Premium on Bonds Issued	(507,265)	
Deferred Charge on Refunding	344,640	
Refunding Bonds	(7,064,995)	
Bonds Refunded	<u>7,082,498</u>	17,503

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 454,584

Interest expense in the statement of activities differs from the amount reported in governmental funds for two reasons. Additional accrued interest was calculated for bonds and notes payable, and the difference arising from the advance refunding due to premium and bond issuance costs.

Accrued Interest		(17,926)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		<u>(15,218)</u>
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Change in Net Assets of Governmental Activities (\$700,715)

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$72,651	\$23,707
Receivables:		
Accounts	0	293
Interest	1	0
	<hr/>	<hr/>
Total Assets	72,652	\$24,000
	<hr/>	<hr/>
Liabilities:		
Accounts Payable	0	420
Other Liabilities	0	23,580
	<hr/>	<hr/>
Total Liabilities	0	\$24,000
	<hr/>	<hr/>
Net Assets:		
Held in Trust	72,652	
	<hr/>	
Total Net Assets	\$72,652	
	<hr/>	

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
Additions:	
Donations	\$3,122
Investment Earnings	673
Total Additions	<u>3,795</u>
Deductions:	
Other	<u>2,665</u>
Total Deductions	<u>2,665</u>
Change in Net Assets	1,130
Net Assets Beginning of Year	<u>71,522</u>
Net Assets End of Year	<u><u>\$72,652</u></u>

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 1 - Description of the School District

The Clinton-Massie Local School District (the “District”) was originally organized in 1959. The District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by State and/or federal agencies. This Board controls the District’s two instructional facilities (High/Middle School and Elementary School) and one support facility (bus garage) staffed by 81 non-certified and 115 certified teaching personnel and 11 administrative employees to provide service to 1,865 students and other community members.

Note 2 - Summary of Significant Accounting Policies

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

A Reporting Entity

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

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

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

Jointly Governed Organizations

Southwest Ohio Computer Association (SWOCA)

SWOCA is a jointly governed organization among a three-county consortium of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge, dependent upon the software package utilized.

The Governing Board of SWOCA is comprised of the superintendent of each of the member districts, plus one representative from the fiscal agent. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained from K. Michael Crumley, who serves as Director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust (EPC)
The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative (EPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products, including BWC coverage, to provide health benefits to participants at a lower rate than if the individual districts acted independently. Currently, Clinton-Massie only participates in the Dental/Vision Benefit Plan and the Life Insured Benefit Plan. As a member of the Dental Plan, each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Delta Dental. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. Financial information can be obtained from Doug Merkle, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive Suite 208, Vandalia, OH 45377-1171.

B Fund Accounting

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

Governmental Funds

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

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

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

Proprietary Fund

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

Fiduciary Funds

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

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

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

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2011, are recorded as deferred revenue.

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource and are not to be repaid. However, the District elected to budget these temporary resources anyway. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources 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 amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by Board. The legal level of control has been established by Board at the fund level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts of the budgetary statement reflect the amounts on the final certificate of estimated resources issued during the fiscal year 2011.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2011.

F. Cash and Investments

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

During fiscal year 2011, investments were limited to sweep accounts backed by federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposits, are reported at cost.

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the building capital projects fund. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$2,643.

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains its capitalization threshold at \$5,000. 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. The District does not possess infrastructure.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	20 years
Buildings and improvements	20 - 50 years
Equipment	5 - 20 years
Vehicles	8 years

I. Interfund Balances

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service; or 20 years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The District’s policies regarding compensated absences are determined by the State laws and/or negotiated agreements. In summary, the policies are as follows:

<u>VACATION</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certified</u>
How earned	Not eligible	20 days at start of each contract year	10-20 days depending on length of service
Maximum accumulation	Not applicable	2 years	1 year
Vested	Not applicable	As earned	As earned
Termination entitlement	Not applicable	Unused balance upon termination	Unused balance upon termination
<u>SICK LEAVE</u>			
How earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)
Maximum accumulation	Unlimited	Unlimited	Unlimited
Vested	As earned	As earned	As earned
Termination entitlement	Per contract	Per policy	Per policy

K. 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 funds. However, matured compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements when they mature or, for pension contributions, when the service is rendered. Bonds are recognized as a liability on the fund financial statements when due.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

L. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

M. Net Assets

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

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

N. Estimates

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

O. Interfund Activity

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

Note 3 – Accountability

Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Special Education	\$10,107
Vocational Education	677
Title I	8,794
Improving Teacher Quality	2,321

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

Note 4 - Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2011, \$65,626 of the District's bank balance of \$584,149 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Sweep Accounts	\$526	0.00

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District's investments in Sweep Accounts were rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District’s total investments, 100% is invested in Sweep Accounts.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District. The District’s investment policy does not address this risk for investments.

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

The District receives property taxes from Clinton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$406,526 in the general fund, \$63,143 in the debt service fund and \$7,826 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$349,513 in the general fund, \$54,456 in the debt service fund and \$6,642 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 221,258,000	96.47	\$ 214,903,720	91.91
Public utility personal	<u>8,106,570</u>	<u>3.53</u>	<u>18,910,248</u>	<u>8.09</u>
Total	<u>\$ 229,364,570</u>	<u>100.00</u>	<u>\$ 233,813,968</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$31.25		\$31.25

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 6 – Receivables

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$5,667,417
Accounts	36,441
Intergovernmental	63,532
Accrued interest	<u>37</u>
Total	<u><u>\$5,767,427</u></u>

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$462,953	\$0	\$0	\$462,953
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,029,609	457,610	0	2,487,219
Buildings and Improvements	51,305,779	63,131	0	51,368,910
Equipment	1,990,370	26,348	20,988	1,995,730
Infrastructure	1,422,780	165,924	155,250	1,433,454
Totals at Historical Cost	<u>57,211,491</u>	<u>713,013</u>	<u>176,238</u>	<u>57,748,266</u>
Less Accumulated Depreciation:				
Land Improvements	781,454	117,805	0	899,259
Buildings and Improvements	8,242,769	1,323,374	0	9,566,143
Equipment	914,960	126,146	5,247	1,035,859
Infrastructure	1,082,390	111,959	155,250	1,039,099
Total Accumulated Depreciation	<u>11,021,573</u>	<u>1,679,284</u>	<u>160,497</u>	<u>12,540,360</u>
Governmental Activities Capital Assets, Net	<u>\$46,189,918</u>	<u>(\$966,271)</u>	<u>\$15,741</u>	<u>\$45,207,906</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,440,613
Special	742
Support Services:	
Instructional Staff	10,805
School Administration	21,009
Fiscal	10,308
Operations and Maintenance	11,713
Pupil Transportation	115,139
Operation of Non-Instructional Services	18,299
Extracurricular Activities	50,656
Total Depreciation Expense	<u>\$1,679,284</u>

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 8 - Capitalized Leases - Lessee Disclosure

During the fiscal year, the District entered into capitalized leases for computers and equipment. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as regular function expenditures on the budgetary statements.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	
2012	\$86,863
2013	12,539
2014	<u>3,134</u>
Total minimum lease payments	102,536
Less amount representing interest	<u>(5,111)</u>
Total	<u><u>\$97,425</u></u>

Note 9 - Long-Term Obligations

During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2010	Additions	Reductions	Balance Outstanding June 30, 2011	Amounts Due in One Year
General obligation bonds:					
1998 Refunding Bonds	\$174,122	\$0	(\$90,401)	\$83,721	\$83,721
2001 High School	7,865,000	0	(7,337,498)	527,502	265,000
2009 Qualified School Construction Bonds	480,000	0	(30,000)	450,000	30,000
2011 Current Interest Bonds	0	6,790,000	0	6,790,000	75,000
2011 Capital Appreciation Bonds	0	274,995	0	274,995	0
2011 Refunding - Premium	0	507,265	0	507,265	0
2011 Refunding - Deferred Amount	0	(344,640)	0	(344,640)	0
Capital lease	176,609	0	(79,183)	97,426	82,557
Compensated absences	782,053	184,705	(212,430)	754,328	155,219
Total governmental activities	<u>\$9,477,784</u>	<u>\$7,412,325</u>	<u>(\$7,749,512)</u>	<u>\$9,140,597</u>	<u>\$691,497</u>

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Compensated Absences: Compensated absences will be paid from the funds from which the person is paid, which, for the District, are primarily the general fund and the food service fund (a nonmajor governmental fund).

Capital Lease Obligations: Capital lease obligations are paid from the general fund (See Note 9).

1998 Refunding Bonds: The District issued general obligation bonds on October 1, 1990 for building additions. These bonds have an interest rate of 7.20% and will mature on December 1, 2011. Principal and interest are paid from the debt service fund.

2001 High School Bonds: The District issued \$10,275,000 in general obligation bonds on May 1, 2002 for construction of a high school. The interest rate on these bonds ranges from 3.25% to 5.00% and the bonds will mature on December 1, 2029. Principal and interest are paid from the debt service fund.

Qualified School Construction Bonds: The Qualified School Construction Bonds were issued on November 6, 2009 and bear an interest rate of 1.85%. The bonds mature on September 15, 2024.

2011 Refunding Bonds: In June 2011, the District advance refunded \$7,064,995 in school improvement bonds that were originally for the purpose of new construction, improvements, renovations, and additions to school facilities, including the construction of a new high school, and providing equipment, furnishings and site improvements. The \$507,265 premium on the issuance of these refunding bonds will be amortized over the remaining life of the debt which has a final maturity date of December 1, 2028. The debt will be retired from the debt service fund.

The refunding bonds are not subject to optional redemption prior to maturity. Of the \$7,064,995 issued, \$6,790,000 represents current interest bonds and \$274,995 are capital appreciation bonds. The current interest bonds mature at varying amounts through December 1, 2028.

The capital appreciation bonds will mature in fiscal years 2019 and 2020.

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$453,714	\$407,208	\$860,922	\$0	\$0	\$0
2013	417,502	252,714	670,216	0	0	0
2014	435,000	229,361	664,361	0	0	0
2015	440,000	220,659	660,659	0	0	0
2016	450,000	211,804	661,804	0	0	0
2017-2021	1,475,000	576,454	2,051,454	274,995	982,456	1,257,451
2022-2026	2,670,000	575,909	3,245,909	0	0	0
2027-2029	1,510,000	85,525	1,595,525	0	0	0
Total	\$7,851,216	\$2,559,634	\$10,410,850	\$274,995	\$982,456	\$1,257,451

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

Note 10 - Risk Management

Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2011, the district contracted with Arthur J Gallagher & Co., through the Southwestern Ohio Educational Purchasing Council for property, general liability and auto insurance.

Professional liability is protected by Arthur J. Gallagher, with \$1,000,000 each occurrence, \$3,000,000 aggregate limit. Vehicles are covered with \$1,000 deductible for comprehensive and \$1,000 deductible for collision.

Public officials' bond insurance is provided by NB&T Insurance. The Treasurer is covered by a bond in the amount of \$15,000. All administrative assistants, accounts payable, student activity, and other District personnel are covered by a blanket employee bond of \$50,000.

Since January 1, 2008, the District health insurance has been a High Deductible Health Plan, coupled with a partially employer-funded Health Savings Account (HSA). The health insurance provider was Humana from January 1, 2008 through December 31, 2010 and changed to Anthem effective January 1, 2011. Employee dental benefits were provided throughout the year by Delta Dental, and were also purchased through the EPC.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There was no significant reduction in coverage from the prior year.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 11 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$335,400, \$270,480, and \$203,462, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

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 is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$961,152, \$915,178, and \$912,062, respectively; 84% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

Note 12- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2011, 2010 and 2009 were \$18,207, \$16,085 and \$16,787, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$34,259, \$43,473, and \$125,328, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$68,654, \$70,398, and \$70,159, respectively; 84% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Note 14 – Contingencies

Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

Litigation

The District is involved in no material litigation as either plaintiff or defendant.

Note 15 - Statutory Reserves

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

During the fiscal year ended June 30, 2011, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2010	(\$597,843)	\$0
Current Year Set Aside Requirements	274,493	274,493
Qualified Disbursements	(214,898)	(160,514)
Current Year Offsets	0	(255,000)
Set Aside Reserve Balance as of June 30, 2011	<u>(\$538,248)</u>	<u>(\$141,021)</u>
Restricted Cash as of June 30, 2011	<u>\$0</u>	<u>\$0</u>

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

The District had qualifying disbursements during the fiscal year that reduced the textbooks/instructional materials set-aside amount below zero. This amount may be used to reduce the set-aside requirement of future years. Although the District had qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, these extra amounts may not be used to reduce the set-aside requirement in future fiscal years.

Note 16 – Fund Balances

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

Fund Balances	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total
Nonspendable on:					
Inventory	\$0	0	0	\$ 14,206	\$ 14,206
Total Nonspendable	0	0	0	14,206	14,206
Restricted for:					
Local Grants	\$0	\$0	\$0	\$13,045	\$13,045
Extracurricular Activities	0	0	0	56,979	56,979
Classroom Facilities Maintenance	0	0	0	166,731	166,731
Drug-Free Schools	0	0	0	129	129
Fiscal Stabilization	0	0	0	24,182	24,182
Title I	0	0	0	19,967	19,967
Food Service	0	0	0	30,020	30,020
Debt Service	0	1,113,422	0	0	1,113,422
Classroom Facilities	0	0	1,275,556	0	1,275,556
Total Restricted	0	1,113,422	1,275,556	311,053	2,700,031
Assigned to:					
Permanent Improvement	0	0	0	1,500	1,500
Encumbrances	110,472	0	0	0	110,472
Total Assigned	110,472	0	0	1,500	111,972
Unassigned (Deficit)	2,065,733	0	0	(41,866)	2,023,867
Total Fund Balance	\$2,176,205	\$1,113,422	\$1,275,556	\$284,893	\$4,850,076

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011

Note 17 – Change in Accounting Principles and Restatement of Fund Balance

Change in Accounting Principles

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent.

Restatement of Fund Balance

The implementation of GASB 54 had the following effects on fund balance of the following major and non-major (other governmental) funds of the District as they were previously reported.

	General Fund	Other Governmental Funds
	<hr/>	<hr/>
Fund Balance, June 30, 2010	\$2,369,432	\$225,962
Fund Reclassification	67,477	(67,477)
Fund Balance, June 30, 2010 - Restated	<hr/> <hr/> \$2,436,909	<hr/> <hr/> \$158,485

Note 18 – Subsequent Events – Compliance

Subsequent to the fiscal year end, it was discovered that the District had inadvertently used certain grant funding for payment on an obligation that occurred outside the period of availability in violation of grant requirements. The District contacted the Ohio Department of Education (ODE) and the ODE approved a "swap out" for other eligible expenditures with the general fund. The "swap out" was implemented prior to the issuance of the financial statements bringing the District in compliance with grant requirements.

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REQUIRED SUPPLEMENTARY INFORMATION



Clinton Massie Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$4,282,949	\$4,387,260	\$4,387,261	\$1
Tuition and Fees	805,766	825,391	825,391	0
Investment Earnings	2,803	2,871	2,871	0
Intergovernmental	8,633,969	8,844,250	8,844,251	1
Other Revenues	60,556	62,031	62,031	0
Total Revenues	13,786,043	14,121,803	14,121,805	2
Expenditures:				
Current:				
Instruction:				
Regular	6,908,797	6,712,848	6,711,398	1,450
Special	929,489	903,127	902,932	195
Vocational	106,201	103,189	103,167	22
Other	806,759	783,877	783,708	169
Support Services:				
Pupil	948,874	921,962	921,763	199
Instructional Staff	886,730	861,580	861,394	186
General Administration	80,122	77,850	77,833	17
School Administration	1,206,598	1,172,376	1,172,123	253
Fiscal	419,195	407,306	407,218	88
Business	50	49	49	0
Operations and Maintenance	1,071,917	1,041,515	1,041,290	225
Pupil Transportation	1,119,562	1,087,809	1,087,574	235
Central	16	16	16	0
Extracurricular Activities	394,308	383,125	383,042	83
Capital Outlay	161,734	157,147	157,113	34
Total Expenditures	15,040,352	14,613,776	14,610,620	3,156
Excess of Revenues Over (Under) Expenditures	(1,254,309)	(491,973)	(488,815)	3,158
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	8,522	8,730	8,730	0
Transfers (Out)	(5,291)	(5,141)	(5,140)	1
Total Other Financing Sources (Uses)	3,231	3,589	3,590	1
Net Change in Fund Balance	(1,251,078)	(488,384)	(485,225)	3,159
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,702,107	3,702,107	3,702,107	0
Fund Balance End of Year	\$2,451,029	\$3,213,723	\$3,216,882	\$3,159

See accompanying notes to the required supplementary information.

Clinton-Massie Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2011

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources 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 amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2011.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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 for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

Clinton-Massie Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2011

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$260,704)
Revenue Accruals	(243,307)
Expenditure Accruals	166,759
Proceeds of Capital Assets	(1,971)
Transfers (Out)	(5,140)
Encumbrances	<u>(140,862)</u>
Budget Basis	<u><u>(\$485,225)</u></u>

Clinton-Massie Local School District



Single Audit Reports

June 30, 2011

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$21,208	\$0	\$21,208	\$0
National School Lunch Program	3L60	10.555	199,184	29,344	199,184	29,344
Total Nutrition Cluster			<u>220,392</u>	<u>29,344</u>	<u>220,392</u>	<u>29,344</u>
Total U.S. Department of Agriculture			<u>220,392</u>	<u>29,344</u>	<u>220,392</u>	<u>29,344</u>
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	312,316	0	312,687	0
Special Education-Grants to States - ARRA	3DJ0	84.391	13,493	0	13,493	0
Special Education-Preschool Grants	3C50	84.173	3,433	0	3,433	0
Special Education-Preschool Grants - ARRA	3DL0	84.392	5,710	0	5,710	0
Total Special Education Cluster			<u>334,952</u>	<u>0</u>	<u>335,323</u>	<u>0</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	156,913	0	156,913	0
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	22,102	0	22,102	0
Total Title I Cluster			<u>179,015</u>	<u>0</u>	<u>179,015</u>	<u>0</u>
Career & Technical Education Basic Grants to States	N/A	84.048	4,594	0	9,270	0
Safe and Drug Free Schools and Communities	3D10	84.186	2,867	0	3,282	0
Education Technology State Grants	3S20	84.318	972	0	973	0
Improving Teacher Quality	3Y60	84.367	64,370	0	64,370	0
State Fiscal Stabilization Fund (SFSF) Ed St Grant - ARRA	GRF	84.394	690,850	0	663,039	0
Total Department of Education			<u>1,277,620</u>	<u>0</u>	<u>1,255,272</u>	<u>0</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						
Passed Through Ohio Department of Health & Human Services						
Medical Assistance Program	N/A	93.778	2,522	0	2,522	0
Total Department of Health & Human Services			<u>2,522</u>	<u>0</u>	<u>2,522</u>	<u>0</u>
Total Federal Assistance			<u>\$1,500,534</u>	<u>\$29,344</u>	<u>\$1,478,186</u>	<u>\$29,344</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

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

Board of Education
Clinton-Massie Local School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton-Massie Local School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2011 wherein we noted the District adopted GASB Statement No. 54 as disclosed in Note 2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 9, 2011

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

Board of Education
Clinton-Massie Local School District

Compliance

We have audited Clinton-Massie Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in item 2011-1 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding period of availability that is applicable to its State Fiscal Stabilization Fund Education State Grant. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133,

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit District's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 9, 2011, which contained an unqualified opinion on those financial statements wherein we noted the District adopted GASB Statement No. 54 as disclosed in Note 17. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 9, 2011

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

Section I – Summary of Auditor’s Results

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	Yes
(d)(1)(iv)	<i>Were the any other significant control deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Qualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510?</i>	Yes
(d)(1)(vii)	<i>Major Programs (list):</i>	State Fiscal Stabilization Fund (SFSF) Ed St Grant - ARRA
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

Section II –Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None

Section III –Federal Award Findings and Questioned Costs

Finding 2011-1 – State Fiscal Stabilization Fund (SFSF) Education State Grants - ARRA CFDA# 84.394

Finding Type

Material Weakness / Material Noncompliance –Period of Availability

Criteria

The requirements for period of availability contained in ARRA legislation specify that funding for ARRA programs became available for obligation February 17, 2009.

Condition

The District used SFSF funding for payment on a lease agreement entered into by the District in July, 2008. This obligation occurred outside the period of availability.

Questioned Costs

\$43,656

Context

One error was found out of twenty disbursements.

Cause and Effect

The District's internal control over compliance with the requirements applicable to federal programs were not designed to prevent, or detect and correct, noncompliance with period of availability compliance requirements. This resulted in disbursements related to an obligation that occurred outside the period of availability.

Recommendation

We recommend additional training related to the design of internal control over compliance with the requirements applicable to federal programs with an emphasis on period of availability requirements and associated controls.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the auditor's recommendation and will implement additional training as recommended. Additionally, the District contacted the Ohio Department of Education (ODE) and the ODE approved a "swap out" for other eligible expenditures with the general fund. The "swap out" was implemented during the audit period, resulting in proper compliance with the period of availability requirements.

CLINTON-MASSIE LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133
Year Ended June 30, 2011

The Clinton-Massie Local School District had no prior audit findings or questioned costs.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURE**

Board of Education
Clinton-Massie Local School District

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

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

1. We noted the Board failed to amend its anti-harassment policy during the fiscal year ended June 30, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 9, 2011



Dave Yost • Auditor of State

CLINTON MASSIE 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 31, 2012**