

Clay Local School District
Scioto County, Ohio

Regular Audit

July 1, 2007 through June 30, 2008
Fiscal Years Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Education
Clay Local School District
44 Clay High Street
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the Clay Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. 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 Clay Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 17, 2009

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Clay Local School District
Scioto County, Ohio

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Clay Local School District
44 Clay High Street
Portsmouth, OH 45662

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay Local School District (the School District), Scioto County, Ohio as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

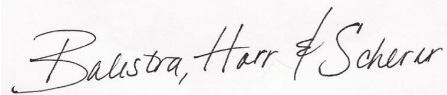
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the 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 School District, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction this report in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 22 to the basic financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB statements No. 25 and No. 27*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*.



Balestra, Harr & Scherer, CPAs, Inc.
December 31, 2008

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

As management of the Clay Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- Net assets of governmental activities decreased \$124,131, which represents a significant decrease from the prior fiscal year. The biggest differences reflected on the School District's Statement of Net Assets in relation to the prior fiscal year are related to intergovernmental receivables and other liabilities.
- Total assets of governmental activities increased by \$96,832. Total liabilities of governmental activities increased by \$220,963.
- General revenues accounted for \$4,013,728 of total revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,151,876 of total revenues of \$6,165,604.
- The School District had \$6,289,735 in expenses related to governmental activities; only \$2,151,876 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues (primarily grants, entitlements and property taxes) of \$4,013,728 were not adequate to provide for these programs.

Using the Basic Financial Statements

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's major funds with all other nonmajor funds presented in total in one column. The major funds for the Clay Local School District are the General Fund and the Permanent Improvement Capital Projects Fund.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2008?”

The Statement of Net Assets and the Statements of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

Fiduciary Funds – The School District's fiduciary funds are a private purpose trust fund and an agency fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Fiduciary funds use the accrual basis of accounting.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal years 2008 and 2007:

(Table 1)
Net Assets

	Governmental Activities		Increase/ (Decrease)
	2008	2007	
Assets			
Current Assets	\$2,706,702	\$2,557,203	\$149,499
Capital Assets, Net	1,564,918	1,617,585	(52,667)
Total Assets	4,271,620	4,174,788	96,832
Liabilities			
Other Liabilities	1,820,458	1,516,689	303,769
Long-Term Liabilities	672,382	755,188	(82,806)
Total Liabilities	2,492,840	2,271,877	220,963
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,280,918	1,203,585	77,333
Restricted	229,751	217,158	12,593
Unrestricted	268,111	482,168	(214,057)
Total Net Assets	\$1,778,780	\$1,902,911	(\$124,131)

Current Assets increased \$149,499 due mainly to an increase in property taxes receivable. This increase was the result of an increase in the anticipated revenue from the School District's current operating levy and a new bond levy being passed within the School District during the fiscal year. However, the Permanent Improvement Levy will expire during fiscal year 2009; therefore, only a half-year collection is included in the property taxes receivable. Due to the passage of the bond levy, an additional property tax receivable was estimated for collection in fiscal year 2009. Capital Assets, Net decreased \$52,667 as a result of current fiscal year depreciation exceeding current fiscal year additions.

Total Liabilities increased \$220,963 when compared to the prior fiscal year. This increase is primarily the result of an increase in deferred revenue recognized by the School District for the property tax monies to be received in fiscal year 2009 that is not available to the School District at fiscal year-end to finance current operations. This amount is significantly higher than the prior fiscal year due to the passing of the new bond levy by the School District voters.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Invested in Capital Assets, Net of Related Debt for governmental activities increased by \$77,333 due to the School District making its annual principal payments on outstanding debt which exceed current year depreciation. Restricted Net Assets for governmental activities increased by \$12,593, which is due largely to a decrease in the compensated absences liabilities estimated to be retired from restricted monies. Unrestricted Net Assets for governmental activities decreased by \$214,057 primarily due to increased liabilities relating to compensated absences estimated to be paid from unrestricted monies of the School District and the School District's use of unrestricted monies for current fiscal year operations.

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, operating and capital grants, contributions, and interest. General Revenues include property taxes, unrestricted grants, such as State foundation support, unrestricted contributions, investment earnings and miscellaneous revenues.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

(Table 2)
Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007	Increase/ (Decrease)
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,257,142	\$1,312,771	(\$55,629)
Operating Grants, Contributions, and Interest	891,264	730,426	160,838
Capital Grants and Contributions	3,470	5,457	(1,987)
Total Program Revenues	<u>2,151,876</u>	<u>2,048,654</u>	<u>103,222</u>
General Revenues:			
Property Taxes Levied for:			
General Purposes	957,906	949,973	7,933
Capital Outlay	182,500	187,898	(5,398)
Grants and Entitlements not			
Restricted to Specific Programs	2,678,430	2,522,549	155,881
Contributions and Donations	10,679	21,229	(10,550)
Investment Earnings	46,398	61,299	(14,901)
Gain on Sale of Capital Assets	0	1,891	(1,891)
Miscellaneous	137,815	178,257	(40,442)
Total General Revenues	<u>4,013,728</u>	<u>3,923,096</u>	<u>90,632</u>
Total Revenues	<u>\$6,165,604</u>	<u>\$5,971,750</u>	<u>\$193,854</u>

(continued)

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

(Table 2)
Change in Net Assets
(continued)

	Governmental Activities 2008	Governmental Activities 2007	Increase/ (Decrease)
Program Expenses			
Instruction:			
Regular	\$3,144,051	\$2,930,474	\$213,577
Special	455,532	423,292	32,240
Vocational	28,227	18,302	9,925
Student Intervention Services	193,711	78,468	115,243
Support Services:			
Pupils	342,727	315,478	27,249
Instructional Staff	238,201	229,539	8,662
Board of Education	20,737	19,362	1,375
Administration	514,917	434,231	80,686
Fiscal	175,588	153,925	21,663
Operation and Maintenance of Plant	417,745	446,946	(29,201)
Pupil Transportation	286,096	266,396	19,700
Central	32,429	27,325	5,104
Operation of Non-Instructional Services:			
Food Service Operations	290,853	251,278	39,575
Extracurricular Activities	136,940	141,853	(4,913)
Interest and Fiscal Charges	11,981	14,435	(2,454)
Total Expenses	<u>6,289,735</u>	<u>5,751,304</u>	<u>538,431</u>
Change in Net Assets	(124,131)	220,446	(344,577)
Net Assets at Beginning of Year	<u>1,902,911</u>	<u>1,682,465</u>	<u>220,446</u>
Net Assets at End of Year	<u><u>\$1,778,780</u></u>	<u><u>\$1,902,911</u></u>	<u><u>(\$124,131)</u></u>

Governmental Activities

Program Revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues were \$2,151,876 of total revenues for fiscal year 2008 and varied significantly from fiscal year 2007. This was the result of the School District receiving monies for a new public preschool program.

As previously mentioned, general revenues were \$4,013,728 of total revenues for fiscal year 2008 and were insignificantly greater than the prior fiscal year. Grants and Entitlements not Restricted to Specific Programs made up \$2,678,430 of revenues for governmental activities of the School District for fiscal year 2008. Property Tax revenues made up \$1,140,406 of the total revenues for governmental activities for a total of \$3,818,836 of all revenues coming from Property Taxes and Grants and Entitlements not Restricted to Specific Programs.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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As should be expected, instruction costs represent the largest of the School District's expenses, \$3,821,521 for fiscal year 2008. The instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including Pupils, Instructional Staff, and Pupil Transportation account for \$867,024 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of \$417,745.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,201,676 and expenditures of \$6,323,498. The net change in fund balance for the fiscal year was most significant in the General Fund, a decrease of \$172,828 relating to a four percent salary increase provided to School District employees during the fiscal year. The Permanent Improvement Capital Projects Fund increased by \$44,863 as a result of the School District spending fewer monies on capital improvements during the fiscal year than it had in prior fiscal years.

General Fund - Budget Highlights

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

During the course of fiscal year 2008, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A review of the budgetary comparison statement for the General Fund reflects a decrease of \$179,618 between the original budget and final budget revenues. This decrease is primarily the result of the School District initially estimating to receive greater monies through its State foundation settlements. No change existed for revenues from the final budget to actual revenues received during the fiscal year.

Final estimated expenditures were \$4,994,901, with original estimated expenditures of \$6,159,930. This difference of \$1,165,029 was due primarily to the School District attempting to monitor expenditures made more closely throughout the fiscal year. No change existed for expenditures from the final budget to actual expenditures made during the fiscal year.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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Capital Assets

At the end of fiscal year 2008, the School District had \$1,564,918 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, textbooks and vehicles. Additions to capital assets included the addition of a chain link fence around the School District's baseball diamond, repairs to the Clay High School building, routine computer and computer related purchases, and other educational equipment. Disposals for the fiscal year included computers and various educational equipment.

For more information on capital assets, refer to Note 8 in the notes to the basic financial statements.

Debt

The School District's outstanding debt obligations at fiscal year-end included Permanent Improvement Levy Anticipation Notes in the amount of \$105,000. The notes will be fully retired in fiscal year 2009. The School District also had an outstanding lease-purchase agreement for new school buses and administrative fees in the amount of \$179,000. The School District's long-term obligations also included compensated absences.

The School District's overall legal debt margin was \$4,625,265 with an unvoted debt margin of \$51,392 at June 30, 2008.

For more detailed information on debt, refer to Note 14 in the notes to the basic financial statements.

Current Issues

The Clay Local School District voters approved a bond levy in March 2008 to provide for the School District's share of an Ohio School Facilities Commission project which will make the vision of new facilities a reality for Clay students. The School District is responsible for 20 percent of the \$22,822,331 project, while the State of Ohio is providing 80 percent. The School District is presently in the planning/design phase with a projected completion date of August 2011.

The Clay Local School District is proud of its student accomplishments. The 2007-2008 report card for the School District showed improvement from the prior fiscal year. The School District as a whole achieved an Effective rating with the individual buildings receiving the following ratings: Clay High School: Effective; Rubyville Elementary School: Effective; and Rosemount Primary School: Excellent. In addition, the Ohio Department of Education and the State Superintendent of Public Instruction, Susan Tave Zellman, recognized Clay High School and Rosemount Primary School as "Schools of Promise" for the 2007-2008 school year.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Betty Applegate, Treasurer at Clay Local School District, 44 Clay High Street, Portsmouth, Ohio 45662, or email applegateb@clay.k12.oh.us.

CLAY LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,272,826
Materials and Supplies Inventory	12,594
Inventory Held for Resale	5,235
Intergovernmental Receivable	6,292
Prepaid Items	7,433
Property Taxes Receivable	1,402,322
Capital Assets:	
Land	36,900
Depreciable Capital Assets, Net	<u>1,528,018</u>
<i>Total Assets</i>	<u>4,271,620</u>
<u>Liabilities:</u>	
Accounts Payable	16,654
Accrued Wages and Benefits Payable	400,177
Intergovernmental Payable	146,725
Accrued Interest Payable	3,781
Deferred Revenue	1,253,121
Long-Term Liabilities:	
Due Within One Year	187,418
Due in More Than One Year	<u>484,964</u>
<i>Total Liabilities</i>	<u>2,492,840</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	1,280,918
Restricted for Capital Outlay	179,939
Restricted for Other Purposes	49,812
Unrestricted	<u>268,111</u>
<i>Total Net Assets</i>	<u><u>\$1,778,780</u></u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Total Governmental Activities	
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$3,144,051	\$1,122,633	\$234,426	\$0	(\$1,786,992)
Special	455,532	0	394,971	0	(60,561)
Vocational	28,227	0	4,808	0	(23,419)
Student Intervention Services	193,711	0	3,484	0	(190,227)
Support Services:					
Pupils	342,727	0	1,527	0	(341,200)
Instructional Staff	238,201	0	18,884	0	(219,317)
Board of Education	20,737	0	0	0	(20,737)
Administration	514,917	0	0	0	(514,917)
Fiscal	175,588	0	0	0	(175,588)
Operation and Maintenance of Plant	417,745	0	7,979	0	(409,766)
Pupil Transportation	286,096	0	10,076	3,470	(272,550)
Central	32,429	0	5,000	0	(27,429)
Operation of Non-Instructional Services:					
Food Service Operations	290,853	97,314	194,278	0	739
Extracurricular Activities	136,940	37,195	15,831	0	(83,914)
Interest and Fiscal Charges	11,981	0	0	0	(11,981)
<i>Total Governmental Activities</i>	<u>\$6,289,735</u>	<u>\$1,257,142</u>	<u>\$891,264</u>	<u>\$3,470</u>	<u>(4,137,859)</u>
<u>General Revenues:</u>					
Property Taxes Levied for:					
General Purposes				957,906	
Capital Outlay				182,500	
Grants and Entitlements not Restricted to Specific Programs				2,678,430	
Contributions and Donations				10,679	
Investment Earnings				46,398	
Miscellaneous				137,815	
<i>Total General Revenues</i>				<u>4,013,728</u>	
<i>Change in Net Assets</i>				(124,131)	
<i>Net Assets at Beginning of Year</i>				<u>1,902,911</u>	
<i>Net Assets at End of Year</i>				<u>\$1,778,780</u>	

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2008

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,025,045	\$152,133	\$91,127	\$1,268,305
Receivables:				
Property Taxes	1,159,751	67,571	175,000	1,402,322
Intergovernmental	0	0	6,292	6,292
Prepaid Items	7,433	0	0	7,433
Materials and Supplies Inventory	11,955	0	639	12,594
Inventory Held for Resale	0	0	5,235	5,235
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	4,521	0	0	4,521
<i>Total Assets</i>	<u>\$2,208,705</u>	<u>\$219,704</u>	<u>\$278,293</u>	<u>\$2,706,702</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$13,512	\$0	\$3,142	\$16,654
Accrued Wages and Benefits Payable	357,854	0	42,323	400,177
Intergovernmental Payable	133,929	0	12,796	146,725
Deferred Revenue	1,125,701	61,217	175,000	1,361,918
<i>Total Liabilities</i>	<u>1,630,996</u>	<u>61,217</u>	<u>233,261</u>	<u>1,925,474</u>
<u>Fund Balances:</u>				
Reserved for Encumbrances	19,462	10,430	15,036	44,928
Reserved for Property Taxes	34,050	6,354	0	40,404
Reserved for Bus Purchases	4,521	0	0	4,521
Unreserved, Undesignated, Reported in:				
General Fund	519,676	0	0	519,676
Special Revenue Funds	0	0	29,996	29,996
Capital Projects Fund	0	141,703	0	141,703
<i>Total Fund Balances</i>	<u>577,709</u>	<u>158,487</u>	<u>45,032</u>	<u>781,228</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,208,705</u>	<u>\$219,704</u>	<u>\$278,293</u>	<u>\$2,706,702</u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008

Total Governmental Fund Balances \$781,228

*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. These assets consist of:

Land	36,900	
Other capital assets	4,187,839	
Accumulated depreciation	(2,659,821)	
Total capital assets	1,564,918	1,564,918

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

Delinquent property taxes	108,797	
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes payable	(105,000)	
Capital leases payable	(179,000)	
Accrued interest on capital lease	(591)	
Accrued interest on notes	(3,190)	
Compensated absences	(388,382)	
Total liabilities	(676,163)	(676,163)

Net Assets of Governmental Activities \$1,778,780

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$948,076	\$181,676	\$0	\$1,129,752
Intergovernmental	2,661,458	34,438	907,159	3,603,055
Investment Earnings	46,398	0	1,004	47,402
Tuition and Fees	1,096,993	0	0	1,096,993
Extracurricular Activities	25,640	0	37,195	62,835
Charges for Services	0	0	97,314	97,314
Contributions and Donations	10,679	0	15,831	26,510
Miscellaneous	122,833	0	14,982	137,815
<i>Total Revenues</i>	<u>4,912,077</u>	<u>216,114</u>	<u>1,073,485</u>	<u>6,201,676</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,746,278	0	365,030	3,111,308
Special	222,691	0	226,460	449,151
Vocational	16,359	0	0	16,359
Student Intervention Services	105,939	0	85,070	191,009
Support Services:				
Pupils	321,090	0	16,867	337,957
Instructional Staff	210,950	0	20,405	231,355
Board of Education	20,737	0	0	20,737
Administration	492,037	5,317	0	497,354
Fiscal	174,249	0	0	174,249
Operation and Maintenance of Plant	396,560	0	6,296	402,856
Pupil Transportation	238,834	0	7,024	245,858
Central	31,788	0	0	31,788
Operation of Non-Instructional Services:				
Food Service Operations	0	0	287,857	287,857
Extracurricular Activities	70,526	0	55,927	126,453
Capital Outlay	0	54,002	0	54,002
Debt Service:				
Principal Retirement	0	0	130,000	130,000
Interest and Fiscal Charges	0	0	15,205	15,205
<i>Total Expenditures</i>	<u>5,048,038</u>	<u>59,319</u>	<u>1,216,141</u>	<u>6,323,498</u>
Excess of Revenues Over (Under) Expenditures	<u>(135,961)</u>	<u>156,795</u>	<u>(142,656)</u>	<u>(121,822)</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	400	0	0	400
Transfers In	0	0	149,199	149,199
Transfers Out	(37,267)	(111,932)	0	(149,199)
<i>Total Other Financing Sources (Uses)</i>	<u>(36,867)</u>	<u>(111,932)</u>	<u>149,199</u>	<u>400</u>
<i>Net Change in Fund Balances</i>	<u>(172,828)</u>	<u>44,863</u>	<u>6,543</u>	<u>(121,422)</u>
<i>Fund Balances at Beginning of Year</i>	<u>750,537</u>	<u>113,624</u>	<u>38,489</u>	<u>902,650</u>
<i>Fund Balances at End of Year</i>	<u>\$577,709</u>	<u>\$158,487</u>	<u>\$45,032</u>	<u>\$781,228</u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds (\$121,422)

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

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

Capital assets additions	77,092	
Depreciation expense	(128,776)	
Excess of depreciation expense over capital outlay		(51,684)

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

Proceeds from sale of capital assets	(400)	
Loss on sale of capital assets	(583)	
		(983)

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

Delinquent property taxes	10,654	
Intergovernmental	(46,726)	
		(36,072)

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

Note principal payments	105,000	
Capital lease payments	25,000	
Total long-term debt repayment		130,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in the amount of interest on the Statement of Activities when compared to the expenditures reported in governmental funds is the result of the following:

Decrease in accrued interest		3,224
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable		(47,194)
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Change in Net Assets of Governmental Activities (\$124,131)

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2008

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$980,785	\$979,376	\$979,376	\$0
Intergovernmental	2,767,501	2,661,458	2,661,458	0
Investment Earnings	61,912	46,398	46,398	0
Tuition and Fees	1,101,126	1,096,993	1,096,993	0
Extracurricular Activities	32,456	25,640	25,640	0
Contributions and Donations	13,357	10,679	10,679	0
Miscellaneous	165,858	122,833	122,833	0
<i>Total Revenues</i>	<u>5,122,995</u>	<u>4,943,377</u>	<u>4,943,377</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,236,921	2,710,148	2,710,148	0
Special	239,660	217,805	217,805	0
Vocational	24,166	16,183	16,183	0
Student Intervention Services	103,824	86,781	86,781	0
Support Services:				
Pupils	345,779	319,062	319,062	0
Instructional Staff	268,331	214,866	214,866	0
Board of Education	22,846	22,446	22,446	0
Administration	525,358	477,443	477,443	0
Fiscal	193,440	173,578	173,578	0
Operation and Maintenance of Plant	530,147	403,996	403,996	0
Pupil Transportation	554,249	246,103	246,103	0
Central	28,085	33,469	33,469	0
Extracurricular Activities	85,624	73,021	73,021	0
Capital Outlay	1,500	0	0	0
<i>Total Expenditures</i>	<u>6,159,930</u>	<u>4,994,901</u>	<u>4,994,901</u>	<u>0</u>
Excess of Revenues Under Expenditures	<u>(1,036,935)</u>	<u>(51,524)</u>	<u>(51,524)</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	2,502	400	400	0
Transfers Out	(10,643)	(37,267)	(37,267)	0
Advances In	0	2,000	2,000	0
Advances Out	(2,500)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(10,641)</u>	<u>(34,867)</u>	<u>(34,867)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,047,576)	(86,391)	(86,391)	0
<i>Fund Balance at Beginning of Year</i>	1,039,732	1,039,732	1,039,732	0
<i>Prior Year Encumbrances Appropriated</i>	<u>43,706</u>	<u>43,706</u>	<u>43,706</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$35,862</u>	<u>\$997,047</u>	<u>\$997,047</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$700	<u><u>\$18,578</u></u>
<u>Liabilities:</u>		
Undistributed Monies	<u> 0</u>	<u><u>\$18,578</u></u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u><u> \$700</u></u>	

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust
	Scholarships
<u>Additions:</u>	
Gifts and Donations	\$652
<u>Deductions:</u>	
Scholarships	1,000
<i>Change in Net Assets</i>	(348)
<i>Net Assets at Beginning of Year</i>	1,048
<i>Net Assets at End of Year</i>	\$700

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1909 through the consolidation of existing land areas and school districts. The School District serves an area of 19.93 square miles. It is located in Scioto County, and includes Clay Township. It is staffed by 29 non-certificated employees, 50 certificated full-time teaching personnel and four administrative employees who provide services to 600 students and other community members. The School District currently operates three instructional buildings and two storage buildings.

Reporting Entity:

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

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

The School District participates in five organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk pool, and two as insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Coalition of Rural and Appalachian Schools, the Scioto County Schools Council, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements normally distinguish between those activities that are governmental and those that are considered business-type activities; however, the School District has no business-type activities.

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

Fund Financial Statements

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the School District fall within two categories: governmental and fiduciary.

Governmental Funds:

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

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

Permanent Improvement Fund – The Permanent Improvement Fund is used to account for the Permanent Improvement levy for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance and grants.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

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

F. Cash and Cash Equivalents

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

During fiscal year 2008, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and a repurchase agreement. Repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$46,398, which includes \$6,621 assigned from other School District funds.

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

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District for bus purchases.

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

J. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually 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.

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 20 years
Buildings and Improvements	5 - 60 years
Furniture, Fixtures and Equipment	5 - 20 years
Textbooks	10 years
Vehicles	4 - 10 years

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

L. 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Capital leases and notes payable that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

M. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are eliminated from 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 financial statements.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and State grants restricted to expenditure for specified purposes.

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

P. Estimates

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 3 - ACCOUNTABILITY

At June 30, 2008, the Poverty-Based Assistance, Miscellaneous State Grants, Title VI-B, Title I, and Title II-A Special Revenue Funds had deficit fund balances of \$1,007, \$244, \$3,322, \$2,437 and \$136, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$172,828)
Adjustments:	
Revenue Accruals	31,300
Expenditure Accruals	85,656
Advances	2,000
Encumbrances	<u>(32,519)</u>
Budget Basis	<u><u>(\$86,391)</u></u>

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Investments: As of June 30, 2008, the School District had the following investments:

	Fair Value	Maturing in Less than 1 Year
STAROhio	\$1,212,958	\$1,212,958
Repurchase Agreement	39,831	39,831
Totals	\$1,252,789	\$1,252,789

Interest Rate Risk: Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District's policy requires that, to the extent possible, the Treasurer will attempt to match investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions. The maximum maturity of any eligible instrument is five years from the settlement date, unless the investment is matched to a specified obligation or debt of the School District. Any investment made must be purchased with a reasonable expectation that it will be held to maturity.

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Repurchase Agreement (underlying investment of Federal Home Loan Mortgage Corporation Bonds) has a credit rating of AAA by Standard and Poor's. The School District's investment policy does not address credit risk.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency of instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2008, the School District's bank balance of \$80,962 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date.

Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 School District prior to June 30.

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - PROPERTY TAXES (continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, 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 and the late tangible personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

The amount available as an advance at June 30, 2008, was \$34,050 in the General Fund and \$6,354 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2007, was \$47,846 in the General Fund and \$9,700 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$44,316,750	87.76%	\$49,118,470	90.18%
Public Utility Personal	3,115,070	6.17%	2,836,410	5.21%
General Business Personal	3,065,298	6.07%	2,508,990	4.61%
Total Assessed Value	\$50,497,118	100.00%	\$54,463,870	100.00%
Tax rate per \$1,000 of assessed valuation	\$35.09		\$35.09	

The School District's Permanent Improvement levy will expire during fiscal year 2009. Therefore, only a half-year collection is included in the School District's receivable for this levy.

On March 4, 2008, the School District's voters passed a 6.3 mil bond levy for the construction of its new school facilities and a half-mil permanent improvement levy.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes and intergovernmental grants. Most receivables are considered collectible in full and will be received within one fiscal year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 7 – RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Early Childhood Education	\$6,144
Title I	148
Total Intergovernmental Receivables	<u>\$6,292</u>

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/08</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$36,900	\$0	\$0	\$36,900
Capital Assets Being Depreciated:				
Land Improvements	63,624	14,007	0	77,631
Buildings and Improvements	2,493,474	10,190	0	2,503,664
Furniture, Fixtures and Equipment	777,599	52,895	(8,686)	821,808
Textbooks	338,923	0	0	338,923
Vehicles	445,813	0	0	445,813
Total Capital Assets Being Depreciated	4,119,433	77,092	(8,686)	4,187,839
Less Accumulated Depreciation:				
Land Improvements	(19,681)	(7,381)	0	(27,062)
Building and Improvements	(1,507,627)	(42,767)	0	(1,550,394)
Furniture, Fixtures and Equipment	(501,806)	(43,936)	7,703	(538,039)
Textbooks	(338,923)	0	0	(338,923)
Vehicles	(170,711)	(34,692)	0	(205,403)
Total Accumulated Depreciation	(2,538,748)	(128,776) *	7,703	(2,659,821)
Total Capital Assets Being Depreciated, Net	1,580,685	(51,684)	(983)	1,528,018
Governmental Activities Capital Assets, Net	<u>\$1,617,585</u>	<u>(\$51,684)</u>	<u>(\$983)</u>	<u>\$1,564,918</u>

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 8 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$50,665
Special	4,919
Vocational	1,040
Student Intervention Services	2,381
Support Services:	
Pupils	2,523
Instructional Staff	4,387
Administration	5,438
Fiscal	1,709
Operation and Maintenance of Plant	8,343
Pupil Transportation	38,859
Central	595
Operation of Non-Instructional Services:	
Food Service Operations	2,687
Extracurricular Activities	5,230
Total Depreciation Expense	<u><u>\$128,776</u></u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 18). The types and amounts of coverage follow:

Building and Contents replacement cost (\$1,000 deductible)	\$26,111,578
Inland Marine Coverage (\$1,000 deductible)	100,000
Automobile Liability	2,000,000
Uninsured Motorists	1,000,000
Flood (\$25,000 deductible)	1,000,000
Earthquake (\$25,000 minimum deductible)	1,000,000
	(continued)

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - RISK MANAGEMENT (continued)

<u>Educational General Liability Coverage Form:</u>	
Bodily Injury and Property Damage Limit - Each Occurrence and Sexual Abuse Injury Limit - Each Sexual Abuse Offense	\$1,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
Loss of Electronic Data Limit - Each Electronic Data Incident	50,000
Fire Damage Limit	500,000
Medical Expense - Any One Person Limit	10,000
Medical Expense - Each Accident Limit	10,000
General Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
<u>Employee Benefits Liability Coverage Endorsement - Claims Made:</u>	
Each Offense Limit	1,000,000
Aggregate Limit	3,000,000
<u>Employer's Liability - Stop Gap Coverage Endorsement:</u>	
Bodily Injury by Accident - Each Accident	1,000,000
Bodily Injury by Disease	1,000,000
Bodily Injury by Disease - Each Employee	1,000,000
<u>Educational Legal Liability Coverage - Claims Made (\$2,500 deductible):</u>	
Employment Practices Injury Limit	1,000,000
Employment Practices Injury Aggregate Limit	3,000,000
<u>Excess Liability Coverage:</u>	
<u>Educational General Liability:</u>	
Bodily Injury and Property Damage Limit - Each Occurrence	1,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
General Aggregate Limit	1,000,000
Products - Complete Operations Aggregate Limit	1,000,000
<u>Employee Benefits Liability - Claims Made:</u>	
Employee Benefits Injury - Each Offense Limit	1,000,000
Employee Benefits Injury - Aggregate Limit	1,000,000
<u>Educational Legal Liability - Claims Made:</u>	
Errors and Omissions Injury Limit	1,000,000
Errors and Omissions Injury Aggregate Limit	1,000,000
Employment Practices Injury Limit	1,000,000
Employment Practices Injury Agregate Limits	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant change in insurance coverage from last fiscal year.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - RISK MANAGEMENT (continued)

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 17), offering medical and dental insurance to the employees of participating school districts. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turn pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the School District shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan. All claims and expenses shall be paid from the funds of the Council.

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$58,588, \$60,520 and \$55,124, respectively; 46.49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. 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 plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$317,733, \$296,820, and \$290,284, respectively; 83.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,326 made by the plan members and none made by the School District.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$36,761, \$31,767, and \$31,025 respectively; 46.49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$4,221, \$4,115 and \$4,387 respectively; 46.49 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$24,441, \$22,832, and \$22,330 respectively; 83.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 40 - 60 days, depending on years of service.

B. Insurance Benefits

The School District provides vision coverage through Vision Service Plan and life insurance through SunLife. The School District also provides health care and dental coverage for its employees with Medical Mutual of Ohio through the Scioto County Schools Council.

C. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In the prior fiscal year, the School District entered into a lease-purchase agreement for the acquisition of school buses. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The School District is leasing the buses through the Ohio Association of School Business Officials (OASBO) Expanded Asset Pooled Financing Program. Under this program, participating school districts finance building improvements or asset acquisitions by entering into a lease-purchase agreement in an attempt to achieve debt service and issuance cost savings. Under this program, the School District is leasing the buses from the Columbus Regional Airport Authority, which is an administrator of the program. The Columbus Regional Airport Authority deposited \$204,000 with U.S. Bank National Association, who will serve as the fiscal agent for the monies. The School District utilized the monies held by U.S. Bank National Association for the purchase of the buses. In turn, the School District will make semi-annual lease payments to U.S. Bank National Association. Interest rates are based on a calculation of the TBMA index. The lease is renewable annually and expires in fiscal year 2014. The intention of the School District is to renew the lease annually and make payments using school bus reimbursements received from the State of Ohio and General Fund revenues. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds. All funds from the lease-purchase agreement were received and used in the prior fiscal year.

The lease-purchase amount equaled \$204,000. Capital assets acquired through the lease were capitalized in the amount of \$201,000 with the remaining \$3,000 being disbursed directly from the Program Discretionary Fund to pay certain expenses of the School District's participation in the Program. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2008 totaled \$25,000 and were paid from the Debt Service Fund.

The assets acquired through the capital lease as of June 30, 2008, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
School Buses	\$201,000	\$31,824	\$169,176

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008.

Fiscal Year Ending June 30,	Total Payments
2009	\$34,464
2010	34,338
2011	34,171
2012	33,962
2013	34,710
2014	33,688
Total	205,333
Less: Amount Representing Interest	(26,333)
Present Value of Net Minimum Lease Payments	\$179,000

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Amount Outstanding 6/30/07	Additions	Deductions	Amount Outstanding 6/30/08	Amounts Due in One Year
<u>Governmental Activities:</u>					
2003 Permanent Improvement Levy					
Anticipation Notes - 3.31%	\$210,000	\$0	\$105,000	\$105,000	\$105,000
Capital Leases	204,000	0	25,000	179,000	27,000
Compensated Absences	341,188	90,659	43,465	388,382	55,418
Total Governmental Activities					
Long-Term Obligations	\$755,188	\$90,659	\$173,465	\$672,382	\$187,418

On July 30, 2003, the School District issued Permanent Improvement Levy Anticipation Notes in the amount of \$525,000 for the purpose of improving facilities within the School District. The notes were issued for a five year period with final maturity on July 30, 2008. The notes will be retired from the Debt Service Fund. As of June 30, 2008, all of the note proceeds had been spent toward the project.

Compensated absences will be paid from the General Fund and the Food Service, Public Preschool, Title VI-B, and Title I Special Revenue Funds.

The School District's overall legal debt margin was \$4,625,265 with an unvoted debt margin of \$51,392 at June 30, 2008.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the Permanent Improvement Levy Anticipation Notes outstanding at June 30, 2008, are \$105,000 and \$3,476, respectively.

NOTE 15 - INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2008, were as follows:

		Transfers From		
		General	Permanent Improvement	Total
Transfers To	Other Governmental Funds	\$37,267	\$111,932	\$149,199

General Fund transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. Permanent Improvement Fund transfers were made to move amounts to the Debt Service Fund for the purpose of making debt payments.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$9,888 for membership fees during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for School District administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for School District personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid \$300 to the Coalition for services provided during the fiscal year.

NOTE 17 - PUBLIC ENTITY SHARED RISK POOL

Scioto County Schools Council

The School District is a member of the Scioto County Schools Council (the “Council”), a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Schools Council. The overall objectives of the Council are to formulate and administer programs of health and dental insurance for the benefit of the Council members’ employees and their dependents, to obtain lower costs for health and dental coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council’s business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts. The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District’s claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District’s claims are low, it will not receive a refund. The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 18 - INSURANCE PURCHASING POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Board Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the OSP to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a thirteen member Board of Directors consisting of school district superintendents and treasurers, as well as Dave Harcum, an independent consultant of Hylant Administrative Services, LLC, and a partner of the Hylant Administrative Services, LLC. The Hylant Administrative Services, LLC is the administrator of the OSP and is responsible for processing claims.

NOTE 19 - SET-ASIDE CALCULATIONS

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

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and instructional materials and capital acquisitions. Disclosure of this information is required by State statute.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 19 - SET-ASIDE CALCULATIONS (continued)

	Textbooks and Instructional Materials	Capital Acquisitions
	<u> </u>	<u> </u>
Set-aside Reserve Balance as of June 30, 2007	\$0	\$0
Current Fiscal Year Set-aside Requirement	75,200	75,200
Current Fiscal Year Offsets	0	(75,200)
Qualifying Disbursements	<u>(75,200)</u>	<u>0</u>
Totals	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$0</u>	<u>\$0</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements for textbooks and instructional materials during the fiscal year, and this extra amount may be used to reduce the set-aside requirements of future fiscal years, the School District has decided to not carry over such negative balances to the next fiscal year.

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is not party to any legal proceedings.

NOTE 21 - SUBSEQUENT EVENTS

On July 10, 2008, the School District issued \$5,265,000 in bond anticipation notes for the purpose of school facilities construction and improvement. The bond anticipation notes mature on January 6, 2009.

On September 25, 2008, the School District was awarded a grant in the amount of \$18,257,865 from the Ohio School Facilities Commission for the construction of a new facility and to abate and demolish the current existing buildings.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 21 - SUBSEQUENT EVENTS (continued)

On November 12, 2008, the School District issued \$5,265,000 in general obligation bonds for the purpose of constructing a pre-K-12 classroom facility and related facilities under the Classroom Facilities Assistance Program of the Ohio School Facilities Commission, renovating and improving existing facilities, furnishing and equipping the same, improving the sites thereof, and retiring the bond anticipation notes issued on July 10, 2008. The general obligation bonds were issued for a twenty-eight year period with final maturity on December 1, 2036.

NOTE 22 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year 2008, the School District implemented GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**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***

Members of the Governing Board
Clay Local School District
44 Clay High Street
Portsmouth, Ohio 45662

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay Local School District, (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 31, 2008, in which we indicate that the School District implemented GASB No. 50 and No. 45. 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 Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School 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 to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

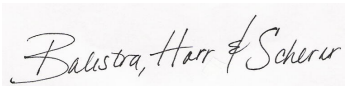
A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 and members of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2008



Mary Taylor, CPA
Auditor of State

CLAY LOCAL SCHOOL DISTRICT

SCIOTO 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
MARCH 3, 2009