

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2009***

JOHN STANLEY, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
East Clinton Local School District
97 College Street
Lees Creek, Ohio 45138

We have reviewed the *Independent Auditor's Report* of the East Clinton Local School District, Clinton County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 15, 2009

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
East Clinton Local School District
97 College Street
Lees Creek, OH 45138

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Clinton Local School District, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise East Clinton Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of East Clinton Local 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 East Clinton Local School District, as of June 30, 2009, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the fiscal 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 October 29, 2009, on our consideration of East Clinton Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Independent Auditor's Report
East Clinton Local School District
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Clinton Local School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of receipts and expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
October 29, 2009

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

As management of the East Clinton Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's performance.

This discussion and analysis of East Clinton Local School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009.

Financial Highlights

- In total, net assets increased \$260,647.
- General revenues accounted for \$10,802,652 or 79 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants, contributions and interest accounted for \$2,867,753, or 21 percent of total revenues of \$13,670,405.
- The School District had \$13,409,758 in expenses related to governmental activities; only \$2,867,753 of these expenses were offset by program specific charges for services and sales and operating grants, contributions and interest.
- The assets of the School District exceed its liabilities at June 30, 2009 by \$15,232,615. The School District had a negative \$878,618 in unrestricted assets.

Using the Basic Financial Statements

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

The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the East Clinton Local School District are the General, Bond Retirement, and Permanent Improvement Funds.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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 2009?” 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 7. Fund financial statements provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s major funds.

Governmental Funds - Most of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the Governmental Fund Balance Sheet, and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

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

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 2009 and 2008:

Table 1
Net Assets
Governmental Activities

Assets	2009	2008	Change
Current and Other Assets	\$6,234,030	\$5,741,829	\$492,201
Capital Assets, Net	16,080,430	16,691,376	(610,946)
Total Assets	22,314,460	22,433,205	(118,745)
Liabilities			
Other Liabilities	(4,473,794)	(4,567,628)	93,834
Long-Term Liabilities	(2,608,051)	(2,893,609)	285,558
Total Liabilities	(7,081,845)	(7,461,237)	379,392
Net Assets			
Invested in Capital Assets, Net of Related Debt	14,345,270	14,715,011	(369,741)
Restricted	1,765,963	1,744,414	21,549
Unrestricted (Deficit)	(878,618)	(1,487,457)	608,839
Total Net Assets	\$15,232,615	\$14,971,968	\$260,647

Net assets increased by \$260,647. Invested in capital assets, net of related debt decreased \$369,741 which was due to depreciation exceeding additions for the fiscal year. Unrestricted net assets increased by \$608,839 due primarily to increases in State aid received on the foundation settlement offset by decreases in property taxes and overall decreases in expenses.

Table 2, on the following page, shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net 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, restricted grants, contributions and interest. General Revenues include taxes, unrestricted grants, such as State foundation support, unrestricted gifts and donations, unrestricted investment earnings and miscellaneous revenue.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 2
Change in Net Assets
Governmental Activities

Revenues	<u>2009</u>	<u>2008</u>	<u>Change</u>
Program Revenues:			
Charges for Services and Sales	\$912,088	\$919,116	(\$7,028)
Operating Grants, Contributions and Interest	<u>1,955,665</u>	<u>1,474,864</u>	<u>480,801</u>
Total Program Revenues	<u>2,867,753</u>	<u>2,393,980</u>	<u>473,773</u>
General Revenues:			
Property Taxes	3,020,501	3,260,387	(239,886)
Grants and Entitlements not Restricted to Specific Programs	7,594,805	7,071,227	523,578
Gifts and Donations	1,400	15,525	(14,125)
Investment Earnings	81,051	147,591	(66,540)
Miscellaneous	<u>104,895</u>	<u>102,308</u>	<u>2,587</u>
Total General Revenues	<u>10,802,652</u>	<u>10,597,038</u>	<u>205,614</u>
Total Revenues	<u>13,670,405</u>	<u>12,991,018</u>	<u>679,387</u>
 Program Expenses			
Instruction:			
Regular	6,296,693	6,243,494	53,199
Special	1,105,397	1,267,840	(162,443)
Vocational	94,056	115,989	(21,933)
Support Services:			
Pupils	468,918	464,217	4,701
Instructional Staff	880,181	981,866	(101,685)
Board of Education	54,253	47,910	6,343
Administration	914,188	1,451,162	(536,974)
Fiscal	300,980	306,670	(5,690)
Business	6,338	7,691	(1,353)
Operation and Maintenance of Plant	1,266,590	1,340,989	(74,399)
Pupil Transportation	866,932	954,773	(87,841)
Central	85,273	46,588	38,685
Operation of Non-Instructional Services:			
Other	1,000	0	1,000
Food Service Operations	579,518	504,284	75,234
Extracurricular Activities	353,894	342,917	10,977
Interest and Fiscal Charges	<u>135,547</u>	<u>126,912</u>	<u>8,635</u>
Total Expenses	<u>13,409,758</u>	<u>14,203,302</u>	<u>(793,544)</u>
Increase (Decrease) in Net Assets	260,647	(1,212,284)	1,472,931
Net Assets at Beginning of Year	<u>14,971,968</u>	<u>16,184,252</u>	<u>(1,212,284)</u>
Net Assets at End of Year	<u>\$15,232,615</u>	<u>\$14,971,968</u>	<u>\$260,647</u>

Governmental Activities

Operating grants, contributions and interest increased \$480,801 due primarily to an increase in special education weighted aid and an increase in Title VI-B funds. Property taxes decreased by \$239,886 primarily due to a decrease in valuation. Grants and entitlements not restricted to specific programs increased \$523,578 due to increases in unrestricted aid on the State foundation settlement.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Special instruction decreased by \$162,443. This was caused by a decrease in staff. Instructional staff decreased \$101,685 due to a decrease in staff and employees being reclassified to regular instruction in fiscal year 2009. Administration decreased by \$536,974 due mainly to the acceptance of an early retirement of several employees in fiscal year 2008 and employees being reclassified to other functions.

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

Table 3
Governmental Activities

	Total Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2009	Net Cost of Services 2008
Instruction	\$7,496,146	\$7,627,323	(\$5,751,401)	(\$6,081,168)
Support Services	4,843,653	5,601,866	(4,399,508)	(5,405,516)
Operation of Non- Instructional Services	580,518	504,284	7,507	56,923
Extracurricular Activities	353,894	342,917	(263,056)	(252,649)
Interest and Fiscal Charges	135,547	126,912	(135,547)	(126,912)
Total Expenses	<u>\$13,409,758</u>	<u>\$14,203,302</u>	<u>(\$10,542,005)</u>	<u>(\$11,809,322)</u>

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,724,276 and expenditures of \$13,109,759.

The net change in the General Fund balance for the fiscal year was an increase of \$587,421. This was due to an increase in overall revenues and a decrease in overall expenditures.

The Bond Retirement Fund balance decreased \$57,484.

The Permanent Improvement Fund balance increased \$10,579.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2009, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

East Clinton Local School District
Management's Discussion and Analysis
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Unaudited

The School District's ending unobligated cash balance was \$77,930 above the final budgeted amount in the General Fund.

For the General Fund, actual revenue was \$11,353,571 with final budget estimates of \$11,289,921, a difference of \$63,650. Original budgeted amounts were \$11,112,498, a difference of \$177,423 from final budget estimates.

Budget basis expenditures were \$10,904,189 with final appropriations of and \$10,918,469, a difference of \$14,280. Original estimated expenditures of \$11,078,516 varied from final budget basis expenditures by \$160,047.

Capital Assets and Debt Administration

Capital Assets

The East Clinton Local School District's investment in capital assets as of June 30, 2009 was \$16,080,430. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2009 balances compared to 2008:

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

	2009	2008
Land	\$426,976	\$426,976
Buildings and Improvements	14,679,733	15,202,639
Furniture, Fixtures and Equipment	454,927	561,807
Vehicles	518,794	499,954
Totals	\$16,080,430	\$16,691,376

Net capital assets decreased \$610,946 primarily as a result of the current year depreciation expense and deletions, offset by additions to capital assets.

For more information on capital assets, refer to note 8 of the basic financial statements.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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Debt

At June 30, 2009 the School District had \$2,072,978 in bonds outstanding, with \$245,000 due within one year. Table 5 summarizes outstanding bonds:

Table 5
 Outstanding Debt, at June 30,

	2009	2008
2003 - School Improvement Refunding Bonds	\$1,744,998	\$1,984,998
Accretion on Capital Appreciation Bonds	296,930	217,913
Premium on Refunding	206,320	232,110
Deferred Gain on Refunding	(175,270)	(194,744)
Totals	\$2,072,978	\$2,240,277

School Improvement Refunding Bonds 2003

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

The School District's voted legal debt margin was \$10,125,323 with an unvoted debt margin of \$127,812 at June 30, 2009.

For more information on debt, refer to note 13 of the basic financial statements.

District Challenges for the Future

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

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

*East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited*

The projection of student enrollment is another issue that is difficult to forecast. During the last several fiscal years, the School District's student enrollment has risen and fallen. These fluctuations make it very difficult to forecast an accurate financial picture of the School District. The transient nature of the School District's residents and students choosing one of the above mentioned alternatives to public education makes estimating the number of students to be funded through the school foundation program difficult. The School District had experienced a decline in enrollment for several fiscal years; however, in the last few fiscal years we have experienced a slight gain each fiscal year.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact John Stanley, Treasurer, at East Clinton Local School District, 97 College Street, Lees Creek, OH 45138.

East Clinton Local School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,971,303
Accrued Interest Receivable	10,170
Materials and Supplies Inventory	2,879
Inventory Held for Resale	6,820
Intergovernmental Receivable	50,736
Property Taxes Receivable	3,151,234
Deferred Charges	40,888
Capital Assets:	
Land	426,976
Depreciable Capital Assets, Net	<u>15,653,454</u>
 <i>Total Assets</i>	 <u>22,314,460</u>
 Liabilities	
Accounts Payable	103,096
Accrued Wages and Benefits Payable	1,122,743
Contracts Payable	84,836
Intergovernmental Payable	358,059
Deferred Revenue	2,725,644
Matured Compensated Absences Payable	74,813
Accrued Interest Payable	4,603
Long-Term Liabilities:	
Due Within One Year	343,533
Due in More Than One Year	<u>2,264,518</u>
 <i>Total Liabilities</i>	 <u>7,081,845</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	14,345,270
Restricted for:	
Capital Projects	487,334
Debt Service	376,052
Classroom Facilities	351,168
Other Purposes	195,468
Library Materials and Services:	
Expendable	55,941
Nonexpendable	300,000
Unrestricted (Deficit)	<u>(878,618)</u>
 <i>Total Net Assets</i>	 <u><u>\$15,232,615</u></u>

See Accompanying Notes to the Basic Financial Statements

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East Clinton Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues		Net(Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	
Governmental Activities				
Instruction:				
Regular	\$6,296,693	\$513,567	\$132,871	(\$5,650,255)
Special	1,105,397	0	1,060,988	(44,409)
Vocational	94,056	0	37,319	(56,737)
Support Services:				
Pupils	468,918	0	21,559	(447,359)
Instructional Staff	880,181	0	208,841	(671,340)
Board of Education	54,253	0	0	(54,253)
Administration	914,188	0	2,055	(912,133)
Fiscal	300,980	0	46,400	(254,580)
Business	6,338	0	0	(6,338)
Operation and Maintenance of Plant	1,266,590	500	69,880	(1,196,210)
Pupil Transportation	866,932	0	79,031	(787,901)
Central	85,273	0	15,879	(69,394)
Operation of Non-Instructional Services:				
Other	1,000	0	0	(1,000)
Food Service Operations	579,518	307,183	280,842	8,507
Extracurricular Activities	353,894	90,838	0	(263,056)
Interest and Fiscal Charges	135,547	0	0	(135,547)
<i>Total Governmental Activities</i>	<u>\$13,409,758</u>	<u>\$912,088</u>	<u>\$1,955,665</u>	<u>(10,542,005)</u>
General Revenues				
Property Taxes Levied for:				
			2,447,578	
			210,975	
			311,431	
			50,517	
			7,594,805	
			1,400	
			81,051	
			104,895	
			<u>10,802,652</u>	
				260,647
				<u>14,971,968</u>
				<u>\$15,232,615</u>

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District

Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Bond Retirement Fund	Permanent Improvement Fund
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,062,111	\$349,900	\$542,032
Materials and Supplies Inventory	0	0	0
Inventory Held for Resale	0	0	0
Accrued Interest Receivable	8,150	0	0
Intergovernmental Receivable	0	0	0
Property Taxes Receivable	2,537,551	231,718	329,179
<i>Total Assets</i>	\$3,607,812	\$581,618	\$871,211
Liabilities			
Accounts Payable	\$61,990	\$0	\$13,165
Accrued Wages and Benefits Payable	1,015,116	0	0
Contracts Payable	0	0	84,836
Matured Compensated Absences Payable	74,813	0	0
Intergovernmental Payable	322,051	0	0
Deferred Revenue	2,347,951	214,381	304,855
<i>Total Liabilities</i>	3,821,921	214,381	402,856
Fund Balances			
Reserved for Encumbrances	102,294	0	12,003
Reserved for Property Taxes	192,637	17,337	24,324
Reserved for Library Materials and Services	0	0	0
Unreserved, Undesignated (Deficit), Reported in:			
General Fund	(509,040)	0	0
Special Revenue Funds	0	0	0
Debt Service Fund	0	349,900	0
Capital Projects Funds	0	0	432,028
Permanent Fund	0	0	0
<i>Total Fund Balances (Deficit)</i>	(214,109)	367,237	468,355
<i>Total Liabilities and Fund Balances</i>	\$3,607,812	\$581,618	\$871,211

See Accompanying Notes to the Basic Financial Statements

All Other Governmental Funds	Total Governmental Funds
\$1,017,260	\$2,971,303
2,879	2,879
6,820	6,820
2,020	10,170
50,736	50,736
52,786	3,151,234
<u>\$1,132,501</u>	<u>\$6,193,142</u>
\$27,941	\$103,096
107,627	1,122,743
0	84,836
0	74,813
36,008	358,059
56,128	2,923,315
<u>227,704</u>	<u>4,666,862</u>
43,265	157,562
3,948	238,246
300,000	300,000
0	(509,040)
502,322	502,322
0	349,900
0	432,028
55,262	55,262
<u>904,797</u>	<u>1,526,280</u>
<u>\$1,132,501</u>	<u>\$6,193,142</u>

East Clinton Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009

Total Governmental Fund Balances \$1,526,280

***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	426,976	
Other capital assets	26,584,133	
Accumulated depreciation	(10,930,679)	
Total capital assets	16,080,430	16,080,430

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

Taxes	187,344	
Intergovernmental	6,611	
Interest	3,716	
	197,671	197,671

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 40,888

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (4,603)

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

Bonds payable	(1,744,998)	
Accretion on capital appreciation bonds	(296,930)	
Premium on debt issue	(206,320)	
Deferred gain on refunding	175,270	
Special termination benefit	(180,000)	
Compensated absences	(355,073)	
Total liabilities	(2,608,051)	(2,608,051)

Net Assets of Governmental Activities \$15,232,615

See Accompanying Notes to the Basic Financial Statements

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East Clinton Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General Fund	Bond Retirement Fund	Permanent Improvement Fund
Revenues			
Property Taxes	\$2,441,734	\$210,394	\$310,596
Intergovernmental	8,301,573	35,968	150,155
Investment Earnings	83,247	0	0
Tuition and Fees	513,567	0	0
Rent	500	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	1,400	0	0
Customer Sales and Services	0	0	0
Miscellaneous	27,195	344	574
<i>Total Revenues</i>	<u>11,369,216</u>	<u>246,706</u>	<u>461,325</u>
Expenditures			
Current:			
Instruction:			
Regular	5,513,124	0	156,607
Special	704,798	0	0
Vocational	88,696	0	0
Support Services:			
Pupils	452,427	0	0
Instructional Staff	667,265	0	0
Board of Education	54,253	0	0
Administration	884,659	0	0
Fiscal	269,994	5,955	9,024
Business	6,338	0	0
Operation and Maintenance of Plant	1,134,348	0	137,536
Pupil Transportation	743,889	0	147,579
Central	70,819	0	0
Operation of Non-Instructional Services:			
Other	1,000	0	0
Food Service Operations	0	0	0
Extracurricular Activities	220,185	0	0
Debt Service			
Principal Retirement	0	240,000	0
Interest and Fiscal Charges	0	58,235	0
<i>Total Expenditures</i>	<u>10,811,795</u>	<u>304,190</u>	<u>450,746</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	557,421	(57,484)	10,579
Other Financing Sources			
Proceeds from Sale of Capital Assets	30,000	0	0
<i>Net Change in Fund Balances</i>	587,421	(57,484)	10,579
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>(801,530)</u>	<u>424,721</u>	<u>457,776</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>(\$214,109)</u>	<u>\$367,237</u>	<u>\$468,355</u>

See Accompanying Notes to the Basic Financial Statement:

All Other Governmental Funds	Total Governmental Funds
\$50,650	\$3,013,374
1,105,711	9,593,407
15,865	99,112
0	513,567
0	500
90,838	90,838
0	1,400
307,183	307,183
76,782	104,895
1,647,029	13,724,276
78,837	5,748,568
414,275	1,119,073
0	88,696
13,751	466,178
212,457	879,722
0	54,253
88,845	973,504
14,665	299,638
0	6,338
51,464	1,323,348
0	891,468
16,789	87,608
	1,000
560,283	560,283
91,662	311,847
0	240,000
0	58,235
1,543,028	13,109,759
104,001	614,517
0	30,000
104,001	644,517
800,796	881,763
\$904,797	\$1,526,280

East Clinton Local School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$644,517

**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	306,445	
Depreciation expense	(878,987)	
Excess of depreciation expense over capital outlay		(572,542)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the Statement of Net 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 the sale of capital assets	(30,000)	
Loss on disposal of capital assets	(8,404)	
		(38,404)

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	7,127	
Intergovernmental	(42,937)	
Interest	(18,061)	
		(53,871)

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

Amortization of bond issuance costs	(5,111)	
Amortization of deferred amount on refunding	(19,474)	
Amortization of bond premium	25,790	
		1,205

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:

Principal retirement		240,000
----------------------	--	---------

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

Decrease in special termination benefit	134,221	
Increase in compensated absences payable	(15,962)	
Decrease in accrued interest payable	500	
Accretion on bonds	(79,017)	
Total (increase)/decrease		39,742

Change in Net Assets of Governmental Activities \$260,647

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,540,108	\$2,373,953	\$2,425,741	\$51,788
Intergovernmental	7,971,066	8,299,427	8,301,573	2,146
Interest	73,582	75,711	76,633	922
Tuition and Fees	493,382	513,133	513,839	706
Rent	480	300	500	200
Gifts and Donations	1,344	1,400	1,400	0
Miscellaneous	32,536	25,997	33,885	7,888
<i>Total Revenues</i>	<u>11,112,498</u>	<u>11,289,921</u>	<u>11,353,571</u>	<u>63,650</u>
Expenditures				
Current:				
Instruction:				
Regular	5,089,051	4,812,136	5,008,972	(196,836)
Special	728,347	716,100	716,886	(786)
Vocational	89,870	95,310	88,456	6,854
Other	516,075	528,760	507,954	20,806
Support Services:				
Pupils	458,079	462,883	450,871	12,012
Instructional Staff	692,622	658,891	681,723	(22,832)
Board of Education	57,289	43,600	56,388	(12,788)
Administration	891,180	909,215	877,157	32,058
Fiscal	296,231	285,545	291,570	(6,025)
Business	6,338	8,000	6,238	1,762
Operation and Maintenance of Plant	1,201,353	1,239,028	1,182,449	56,579
Pupil Transportation	757,131	877,269	745,217	132,052
Central	69,061	48,000	67,974	(19,974)
Operation of Non-Instructional Services	1,016	0	1,000	(1,000)
Extracurricular Activities	224,873	233,732	221,334	12,398
<i>Total Expenditures</i>	<u>11,078,516</u>	<u>10,918,469</u>	<u>10,904,189</u>	<u>14,280</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>33,982</u>	<u>371,452</u>	<u>449,382</u>	<u>77,930</u>
Other Financing Sources				
Proceeds from Sale of Capital Assets	0	30,000	30,000	0
Refund of Prior Year Expenditures	0	827	827	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>30,827</u>	<u>30,827</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	33,982	402,279	480,209	77,930
<i>Fund Balance at Beginning of Year</i>	397,557	397,557	397,557	0
<i>Prior Year Encumbrances Appropriated</i>	<u>23,758</u>	<u>23,758</u>	<u>23,758</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$455,297</u>	<u>\$823,594</u>	<u>\$901,524</u>	<u>\$77,930</u>

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,232	\$40,147
Liabilities		
Undistributed Monies	0	\$40,147
Net Assets		
Held in Trust for Scholarships	12,232	
<i>Total Net Assets</i>	\$12,232	

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2009

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$91
<i>Net Assets at Beginning of Year</i>	12,141
<i>Net Assets at End of Year</i>	\$12,232

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Board controls the School District’s four instructional support facilities staffed by 88 non-certified employees, 113 teaching personnel and six administrative employees providing education to 1,472 students.

Reporting Entity

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

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

The School District participates in six organizations, four of which are defined as jointly governed organizations, one as an insurance purchasing pool and one as a public entity shared risk pool. These organizations are the Miami Valley Educational Computer Association, the Great Oaks Institute of Technology and Career Development, the Southern Buckeye Conference, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan and the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust. These organizations are presented in Notes 14 and 15 to the basic financial statements.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Clinton 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 usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. 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.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District 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 funds focus 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.

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

Permanent Improvement Fund - This fund accounts 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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's only fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements 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.

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, grants and accrued interest.

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, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

During fiscal year 2009, the School District’s investments were limited to Goldman Sachs Financial Square Money Market Mutual Fund, iShares Lehman U.S. Treasury Money Market Mutual Fund Securities Bond Fund, U.S. Treasury Money Market Mutual Fund, negotiable certificates of deposit, and Federal Home Loan Bank Notes. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

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 2009 amounted to \$83,247, which includes \$51,223 assigned from other School District funds.

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

G. Inventory

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

H. 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-40 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	10 years

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The unmatured portion of the liability is not reported.

J. Accrued Liabilities and Long-term Obligations

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

K. 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 the 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, music and athletic programs, student activities, and federal and State grants restricted to expenditures 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.

L. 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 equity reserves have been established for encumbrances, property taxes and library materials and services.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for library materials and services represents restricted contributions to the Permanent Fund.

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.

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. Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the current period. Interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

O. Gain/Loss on Advance Refunding

On the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an increase/reduction of the face amount of the new debt.

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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 3 - ACCOUNTABILITY

The General Fund and Career Education Special Revenue Fund had deficit fund balances of \$214,109 and \$1,065, respectively, for the fiscal year ended June 30, 2009. The deficits were created by the recognition of accrued liabilities related to accrued wages and intergovernmental payables on those accrued wages. The School District is monitoring the General Fund deficit and taking action to conserve resources. 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 balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$587,421
Adjustments:	
Revenue Accruals	(7,891)
Net Increase in Fair Value of Investments - Fiscal Year 2008	7,532
Net Increase in Fair Value of Investments - Fiscal Year 2009	(14,459)
Expenditure Accruals	53,734
Encumbrances	(146,128)
Budget Basis	\$480,209

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 bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2009, the School District had the following investments, which are in an internal investment pool:

Investment Type	Fair Value	Investment Maturities (in Years)		Moody Rating	Percent of Total Investments
		Less Than 1	1-3		
Goldman Sachs Financial Square Money Market Mutual Fund	\$5,420	\$5,420	\$0	AAA	0.27%
iShares Lehman U.S. Treasury Money Market Mutual Fund Securities Bond Fund	27,951	27,951	0	AAA	1.37%
U.S. Treasury Money Market Mutual Fund	754,933	754,933	0	AAA	36.95%
Negotiable Certificates of Deposit	1,204,286	719,206	485,080	N/A	58.95%
Federal Home Loan Bank Notes	50,360	50,360	0	AAA	2.47%
Total Investments	<u>\$2,042,950</u>	<u>\$1,557,870</u>	<u>\$485,080</u>		

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

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

Credit Risk

The Goldman Sachs Financial Square Money Market Mutual Fund, iShares Lehman U.S. Treasury Money Market Mutual Fund Securities Bond Fund, U.S. Treasury Money Market Mutual Fund, and Federal Home Loan Bank Notes carry ratings of AAA by Moody's. Ohio law requires that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

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

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District 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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008, and are collected in 2009 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 6 - PROPERTY TAXES (Continued)

The tangible personal property tax has been phased out. The assessment percentage for all property including inventory for 2008 was 6.25 percent. This was reduced to zero for 2009.

The School District receives property taxes from Clinton and Highland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current fiscal year operations.

The amount available as an advance at June 30, 2009, was \$192,637 in the General Fund, \$17,337 in the Bond Retirement Fund, \$24,324 in the Permanent Improvement Fund, and \$3,948 in the Classroom Facilities Maintenance Fund. The amount available as an advance at June 30, 2008, was \$176,644 in the General Fund, \$15,807 in the Bond Retirement Fund, \$24,416 in the Permanent Improvement Fund, and \$3,967 in the Classroom Facilities Maintenance Fund.

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

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$111,999,950	85.73%	\$124,111,160	96.58%
Public Utility	4,407,070	3.37%	4,390,450	3.42%
Tangible Personal Property	14,242,001	10.90%	0	0.00%
Total Assessed Value	<u>\$130,649,021</u>	<u>100.00%</u>	<u>\$128,501,610</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$34.80		 \$34.80	

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of interest, intergovernmental grants and property taxes. All receivables, except delinquent property taxes, are considered collectible in full and will be received in one year, due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amounts
<u>Governmental Activities:</u>	
Title I Grant	\$6,289
Title VI-B - Grant	43,499
Preschool Disabilities Grant	948
Total Intergovernmental Receivables	\$50,736

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Deductions	Balance at 6/30/09
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$426,976	\$0	\$0	\$426,976
Capital Assets Being Depreciated:				
Buildings and Improvements	23,136,899	102,532	0	23,239,431
Furniture, Fixtures and Equipment	2,207,125	42,965	0	2,250,090
Vehicles	1,288,721	160,948	(355,057)	1,094,612
Total Capital Assets Being Depreciated	26,632,745	306,445	(355,057)	26,584,133
Less Accumulated Depreciation:				
Buildings and Improvements	(7,934,260)	(625,438)	0	(8,559,698)
Furniture, Fixtures and Equipment	(1,645,318)	(149,845)	0	(1,795,163)
Vehicles	(788,767)	(103,704)	316,653	(575,818)
Total Accumulated Depreciation	(10,368,345)	(878,987) *	316,653	(10,930,679)
Total Capital Assets Being Depreciated, Net	16,264,400	(572,542)	(38,404)	15,653,454
Governmental Activities Capital Assets, Net	\$16,691,376	(\$572,542)	(\$38,404)	\$16,080,430

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 8 - CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$567,903
Special	320
Vocational	11,009
Support Services:	
Administration	70,146
Operation and Maintenance of Plant	43,792
Pupil Transportation	130,767
Operation of Non-Instructional Services	18,134
Extracurricular Activities	36,916
Total Depreciation Expense	<u><u>\$878,987</u></u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District contracted with Arthur J. Gallagher & Co. for property and fleet insurance and liability insurance. The types and amounts of coverage provided at June 30, 2009 follows:

General Liability (Aggregate/Per Occurrence)	\$3,000,000/1,000,000
Employee Benefits	3,000,000
School Board Legal	1,000,000
Employment Practice	1,000,000
Sexual Abuse	1,000,000
Business Auto (Per Occurrence)	1,000,000
Excess Property (Per Occurrence)	300,000,000
Flood	4,000,000
Earthquake	4,000,000
Boiler and Machinery	100,000,000
Excess Liability (Per Occurrence)	5,000,000

Settled claims have not exceeded this coverage in any of the past three fiscal years. There has been a change in coverage from the prior year due to a change in the School District's insurance company.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 9 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2009, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the 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 Corvel Corporation provides administrative, cost control, and actuarial services to the GRP.

C. Medical and Dental Benefits

For fiscal year 2009, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool consisting of 55 school districts (Note 15). The School District pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 2009, 9.09 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, 2009, 2008 and 2007 were \$179,225, \$164,001 and \$192,701 respectively; 50.93 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 E. Broad Street, Columbus, OH 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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, 2009, 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 2008, 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, 2009, 2008, and 2007 were \$715,017, \$733,109, and \$680,125 respectively; 84.35 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$672 made by the School District and \$13,884 made by the plan members.

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.

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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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, 2009, 2008, and 2007 were \$109,354, \$103,386, and \$105,388 respectively; 50.93 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$14,788, \$11,817, and \$11,864 respectively; 50.93 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 post-employment health care may be deducted from employer contributions. For 2009, 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, 2009, 2008, and 2007 were \$55,001, \$56,393, and \$52,317 respectively; 84.35 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 12 - EMPLOYEE BENEFITS (Continued)

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

B. Insurance Benefits

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

C. Retirement Incentive

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

D. Special Termination Benefit

The School District offered a special termination benefit to certified and classified employees who have 12 or more years of service with the School District as of June 30, 2008 and agreed to resign or retire from the School District by June 30, 2009. The benefit is \$45,000 (three payments) for certified employees. For classified employees, the benefit is 100 percent of his/her base salary, not to exceed \$15,000 (three payments). During fiscal year 2008, four employees accepted the benefit with an effective date of June 30, 2009. No payments were made prior to June 30, 2009. The outstanding balance at June 30, 2009 was \$180,000. Of this balance, \$60,000 will be paid in August, 2009.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Amount Outstanding 6/30/2008	Additions	Deductions	Amount Outstanding 6/30/2009	Amounts Due in One Year
<u>Governmental Activities:</u>					
2003 School Improvement					
Refunding Bonds:					
Serial Bonds 1.50%-4.10%	\$1,840,000	\$0	\$240,000	\$1,600,000	\$245,000
Capital Appreciation Bonds 16.56%	144,998	0		144,998	0
Accretion on Capital					
Appreciation Bonds	217,913	79,017	0	296,930	0
Premium on Debt Issuance	232,110	0	25,790	206,320	0
Deferred Gain on Refunding	(194,744)	0	(19,474)	(175,270)	0
Special Termination Benefits	314,221	0	134,221	180,000	60,000
Compensated Absences	339,111	117,676	101,714	355,073	38,533
TOTAL - Governmental Activities					
Long-term Obligations	<u>\$2,893,609</u>	<u>\$196,693</u>	<u>\$482,251</u>	<u>\$2,608,051</u>	<u>\$343,533</u>

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School Improvement Refunding Bonds 2003

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

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

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal years 2014 through 2016. The maturity amount of the capital appreciation bonds will be \$275,000 in 2014 and \$280,000 per fiscal year in 2015 and 2016. For fiscal year 2009, the capital appreciation bonds were accreted \$79,017.

The School District defeased the 1995 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2009, all bonds were called and paid.

Compensated absences will be paid from the General and Food Service Funds. Special termination benefits will be paid from the General Fund.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The School District's voted legal debt margin was \$10,125,323 with an unvoted debt margin of \$127,812 at June 30, 2009.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2009, are as follows:

School Improvement Refunding Bonds 2003

Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Capital		Total
			Appreciation Bonds Principal	Appreciation Bonds Interest	
2010	\$245,000	\$55,235	\$0	\$0	\$300,235
2011	255,000	48,498	0	0	303,498
2012	260,000	40,720	0	0	300,720
2013	270,000	32,270	0	0	302,270
2014	280,000	23,090	0	0	303,090
2015-2018	290,000	11,890	144,998	690,002	1,136,890
Total	<u>\$1,600,000</u>	<u>\$211,703</u>	<u>\$144,998</u>	<u>\$690,002</u>	<u>\$2,646,703</u>

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. Miami Valley Educational Computer Association

The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts, except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$50,650 for services provided during fiscal year 2009. Financial information can be obtained from Dean Reineke, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

B. Great Oaks Institute of Technology and Career Development

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

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Southern Buckeye Conference

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

D. Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from the General Fund. During fiscal year 2009, the School District paid \$912 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 15 - INSURANCE PURCHASING POOL AND PUBLIC ENTITY SHARED RISK POOL

A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 15 - INSURANCE PURCHASING POOL AND PUBLIC ENTITY SHARED RISK POOL (Continued)

B. Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of 55 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust that will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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 year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2008	(\$702,979)	\$0
Current Fiscal Year Set-aside Requirement	227,099	227,099
Current Fiscal Year Offsets	0	(384,282)
Qualifying Disbursements	(22,607)	(24,065)
Totals	(\$498,487)	(\$181,248)
Set-aside Reserve Balance as of June 30, 2009	\$0	(\$181,248)
Required Set-aside Balances Carried Forward to FY 2010	(\$498,487)	\$0

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

NOTE 17 - CONTINGENT LIABILITIES

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 effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

The School District is not currently party to legal proceedings.

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SUPPLEMENTARY DATA

**EAST CLINTON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Nutrition Cluster:				
(D)(E) School Breakfast Program	10.553	2008	\$ 62,219	\$ 62,219
Total School Breakfast Program			<u>62,219</u>	<u>62,219</u>
(C)(E) National School Lunch Program-Food Donations	10.555	2009	30,465	30,465
(D)(E) National School Lunch Program	10.555	2009	203,389	203,389
Total National School Lunch Program			<u>233,854</u>	<u>233,854</u>
Total U.S. Department of Agriculture and Nutrition Cluster			<u>296,073</u>	<u>296,073</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(G) Title I Grants to Local Educational Agencies	84.010	2008	50,753	56,194
(G) Title I Grants to Local Educational Agencies	84.010	2009	248,328	211,810
Total Title I Grants to Local Educational Agencies			<u>299,081</u>	<u>268,004</u>
Special Education Cluster:				
(F) Special Education_Grants to States	84.027	2008	48,585	48,781
(F) Special Education_Grants to States	84.027	2009	342,493	322,477
Total Special Education Grants to States			<u>391,078</u>	<u>371,258</u>
(F) Special Education Preschool Grants	84.173	2009	3,503	2,095
Total Special Education Preschool Grants			<u>3,503</u>	<u>2,095</u>
Total Special Education Cluster			<u>394,581</u>	<u>373,353</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	2008	-	395
Safe and Drug-Free Schools and Communities State Grants	84.186	2009	5,150	5,150
Total Safe and Drug-Free Schools and Communities State Grants			<u>5,150</u>	<u>5,545</u>
(G) State Grants for Innovative Programs	84.298	2008	(5,003)	50
(G) State Grants for Innovative Programs	84.298	2009	3,264	5,164
Total State Grants for Innovative Programs			<u>(1,739)</u>	<u>5,214</u>
(G) Education Technology State Grants	84.318	2008	(576)	77
(G) Education Technology State Grants	84.318	2009	3,461	3,382
Total Education Technology State Grants			<u>2,885</u>	<u>3,459</u>
(G) Improving Teacher Quality State Grants	84.367	2008	2,756	11,168
(G) Improving Teacher Quality State Grants	84.367	2009	60,728	46,520
Total Improving Teacher Quality State Grants			<u>63,484</u>	<u>57,688</u>
Total U.S. Department of Education			<u>763,442</u>	<u>713,263</u>
Total Federal Financial Assistance			<u>\$ 1,059,515</u>	<u>\$ 1,009,336</u>

- Continued

**EAST CLINTON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

- (A) OAKS did not assign pass through numbers for fiscal year 2009.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of the "Special Education Grant Cluster" in determining major programs.
- (F) Included as part of the "Nutrition Grant Cluster" in determining major programs.
- (G) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2009, the ODE authorized the following transfers:

<u>Program Title</u>	<u>CFDA</u>	<u>Grant Year</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Title I Grants to Local Educational Agencies	84.010	2008		\$ 10
Title I Grants to Local Educational Agencies	84.010	2009	\$ 10	
Education Technology State Grants	84.298	2008		\$ 5,003
Education Technology State Grants	84.298	2009	\$ 5,003	
State Grants for Innovative Programs	84.318	2008		\$ 576
State Grants for Innovative Programs	84.318	2009	\$ 576	
Totals			<u>\$ 5,589</u>	<u>\$ 5,589</u>



Julian & Grube, Inc.
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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Education
East Clinton Local School District
97 College Street
Lees Creek, Ohio 45138

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Clinton Local School District as of and for the fiscal year ended June 30, 2009, which collectively comprise East Clinton Local School District's basic financial statements and have issued our report thereon dated October 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Clinton Local 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 for the purpose of expressing an opinion on the effectiveness of East Clinton Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of East Clinton Local 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 East Clinton Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of East Clinton Local School District's financial statements that is more than inconsequential will not be prevented or detected by East Clinton Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by East Clinton Local School District's internal control.

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.

Board of Education
East Clinton Local School District

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
October 29, 2009



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**Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Board of Education
East Clinton Local School District
97 College Street
Lees Creek, Ohio 45138

Compliance

We have audited the compliance of East Clinton Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. East Clinton Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of East Clinton Local School District's management. Our responsibility is to express an opinion on East Clinton Local School District's compliance based on our audit.

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

In our opinion, East Clinton Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

The management of East Clinton Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered East Clinton Local School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Clinton Local School District's internal control over compliance.

Board of Education
East Clinton Local School District

A control deficiency in East Clinton Local School District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects East Clinton Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by East Clinton Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by East Clinton Local School District's internal control.

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

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



Julian & Grube, Inc.
October 29, 2009

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Nutrition Grant Cluster: School Breakfast Program CFDA #10.553 National School Lunch Program CFDA #10.555 Special Education Cluster: Special Education Grants to States CFDA #84.027 Special Education Preschool Grants CFDA #84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No
2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS		

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Independent Accountant's Report on Applying Agreed-Upon Procedures

East Clinton Local School District
Clinton County
97 College Street
Lees Creek, Ohio 45138

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on July 19, 2004.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

This report is intended solely for the information and use of the Board of Education of East Clinton Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.
October 29, 2009



Mary Taylor, CPA
Auditor of State

EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 31, 2009