



Dave Yost • Auditor of State

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

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lynchburg-Clay Local School District
Highland County
301 E. Pearl Street
Lynchburg, Ohio 45142

To the Board of Education:

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

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

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lynchburg-Clay Local School District, Highland County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows thereof and the respective changes in budgetary comparisons for the General and Food Service funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipt and expenditure schedule provides additional information required by the 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 federal awards receipt and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 12, 2012

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

As management of the Lynchburg Clay Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- The assets of the Lynchburg Clay Local School District exceeded its liabilities at June 30, 2011 by \$25,290,496. Of this amount, \$5,921,631 may be used to meet the School District's ongoing financial obligations. The remaining amounts represent capital assets net of related debt and net assets restricted for specific purposes.
- The School District's net assets decreased \$434,465 during this fiscal year's operations.
- General revenues accounted for \$10,201,124 of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$3,212,957 of total revenues of \$13,414,081.
- The School District had \$13,848,546 in expenses related to governmental activities; only \$3,212,957 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest.

Using the Basic Financial Statements

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

The Statement of Net 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 Lynchburg Clay Local School District are the General Fund, the Food Service and Education Jobs Special Revenue Funds, and the Debt Service Fund.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2011?” The Statement of Net Assets and the Statement of Activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets* and *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 fiscal 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 six. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s major funds.

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

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

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal years 2011 and 2010:

(Table 1)
Net Assets
Governmental Activities

	2011	2010	Change in Net Assets
Assets			
Current and Other Assets	\$11,805,649	\$11,566,694	\$238,955
Capital Assets, Net	18,645,001	19,422,601	(777,600)
Total Assets	30,450,650	30,989,295	(538,645)
Liabilities			
Other Liabilities	3,192,481	3,207,757	(15,276)
Long-Term Liabilities	1,967,673	2,056,577	(88,904)
Total Liabilities	5,160,154	5,264,334	(104,180)
Net Assets			
Invested in Capital Assets, Net of Related Debt	17,314,997	17,982,597	(667,600)
Restricted	2,053,868	1,536,369	517,499
Unrestricted	5,921,631	6,205,995	(284,364)
Total Net Assets	\$25,290,496	\$25,724,961	(\$434,465)

Total net assets decreased \$434,465. Capital assets, net and invested in capital assets, net of related debt decreased due to current year depreciation exceeding current year additions. Restricted net assets increased \$517,499 due primarily to the School District receiving grant monies relating to the Education Jobs funding but not yet utilizing the monies.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 highlights 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 basis of accounting.

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

(Table 2)
Changes in Net Assets
Governmental Activities

	2011	2010	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,049,268	\$1,084,657	(\$35,389)
Operating Grants, Contributions and Interest	2,149,689	1,930,520	219,169
Capital Grants and Contributions	14,000	17,000	(3,000)
Total Program Revenues	<u>3,212,957</u>	<u>3,032,177</u>	<u>180,780</u>
General Revenues:			
Property Taxes	1,870,723	2,005,122	(134,399)
Grants and Entitlements not Restricted to Specific Programs	7,756,519	7,729,192	27,327
Gifts and Donations	364,167	100	364,067
Interest	89,901	119,965	(30,064)
Miscellaneous	119,814	97,471	22,343
Total General Revenues	<u>10,201,124</u>	<u>9,951,850</u>	<u>249,274</u>
Total Revenues	<u>13,414,081</u>	<u>12,984,027</u>	<u>430,054</u>
Program Expenses			
Instruction:			
Regular	\$6,620,613	\$6,166,547	\$454,066
Special	1,106,381	1,252,596	(146,215)
Vocational	217,695	213,954	3,741
Student Intervention Services	45,695	6,883	38,812
Support Services:			
Pupils	424,254	480,884	(56,630)
Instructional Staff	747,269	759,396	(12,127)
Board of Education	58,145	39,768	18,377
Administration	1,186,072	1,202,576	(16,504)
Fiscal	339,506	315,607	23,899
Business	46,618	37,191	9,427
Operation and Maintenance of Plant	1,299,696	1,218,198	81,498
Pupil Transportation	838,002	894,163	(56,161)
Central	12,197	12,000	197
Operation of Non-Instructional Services:			
Food Services	638,962	641,159	(2,197)
Other	49	3,068	(3,019)
Extracurricular Activities	208,754	191,032	17,722
Interest and Fiscal Charges	58,638	63,344	(4,706)
Total Expenses	<u>13,848,546</u>	<u>13,498,366</u>	<u>350,180</u>
Change in Net Assets	(434,465)	(514,339)	79,874
Net Assets at Beginning of Year	25,724,961	26,239,300	(514,339)
Net Assets at End of Year	<u>\$25,290,496</u>	<u>\$25,724,961</u>	<u>(\$434,465)</u>

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Operating grants, contributions and interest increased due primarily to the School District receiving grant monies relating to the Education Jobs funding.

Interest decreased due to a much lower average rate of return on investments. Gifts and donations increased significantly as a result of the School District receiving donated land for which it sold during the fiscal year.

Regular instruction expenses increased due to a combination of base salary increases along with step salary increases. Step increases are occurring more frequently as new teachers are required to obtain a masters degree within a certain period of time after being hired. The receipt of ARRA monies which were spent for regular instruction also contributed to this increase.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, contributions and interest offsetting those services. 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, fees and donations.

(Table 3)
 Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	\$7,990,384	\$5,694,524	\$7,639,980	\$5,624,337
Support Services	4,951,759	4,679,744	4,959,783	4,576,930
Operation of Non-				
Instructional Services	639,011	91,031	644,227	87,394
Extracurricular Activities	208,754	111,652	191,032	114,184
Interest and Fiscal Charges	58,638	58,638	63,344	63,344
Total Expenses	<u>\$13,848,546</u>	<u>\$10,635,589</u>	<u>\$13,498,366</u>	<u>\$10,466,189</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 \$12,651,990 and expenditures of \$13,164,915. The net change in fund balance for the fiscal year was most significant in the General Fund. This was the result of a combination of base salary increases along with step salary increases, as previously mentioned.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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The Food Service Fund experienced a decrease in fund balance, which was the result of the cost of food service operations exceeding revenue sources.

The Education Jobs Fund experienced an increase of \$30,000 as a result of the School District collecting monies relating to this new grant award.

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

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2011, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 18, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amount.

For the General Fund, original budgeted revenues were \$10,702,779 and final budgeted revenues were \$10,507,014, a difference of \$195,765. This was primarily due to a decrease in estimates for property taxes. Final budgeted revenues were \$53,986 less than actual revenues. This is due primarily to the School District receiving more State monies than anticipated.

Original budgeted expenditures were \$578,473 less than the final budgeted expenditures of \$12,073,118. Such increases were spanned over various expenditure accounts of the School District due to wage and associated benefit increases. The actual budget basis expenditures were \$1,086,414 less than final budgeted expenditures. The majority of the difference between budgeted and actual expenditures was the result of lower spending of \$78,292 in regular instruction, \$179,904 in special instruction and \$394,883 in operation and maintenance of plant.

Capital Assets and Debt Administration

Capital Assets

The Lynchburg Clay Local School District's investment in capital assets as of June 30, 2011, was \$18,645,001. This investment in capital assets includes land, land improvements, buildings and building improvements, furniture, fixtures and equipment, vehicles, and books and educational media. Net capital assets decreased \$777,600 from the prior fiscal year as a result of current year depreciation exceeding current year additions. For more information on capital assets, refer to the Note 8 to the basic financial statements.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Debt

At June 30, 2011, the School District had \$1,330,000 in bonds outstanding, with \$115,000 due within one year. The School District's long-term obligations also includes a premium on refunding and compensated absences.

The School District's overall legal debt margin was \$8,460,148 with an unvoted debt margin of \$101,056 at June 30, 2011.

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

District Challenges for the Future

Lynchburg Clay Local School District's financial status continues to be healthy and appears stable for the next four fiscal years. While the School District continues to maintain a healthy cash balance, our projection shows our expenditures will exceed our revenues in fiscal year 2012. Therefore, certain measures are being taken to make sure this does not continue for an extended period of time.

Lynchburg Clay Local School District is heavily dependent on State funding; approximately 60 percent of its funding is received through the State foundation program.

While the Ohio Supreme Court ruled in March of 1997 that Ohio's funding of public schools is unconstitutional and needs to be restructured, subsequent Court reviews of the legislature's responses have found that the State legislature has not adequately responded to the specifics of the ruling. Thus, many school districts believe Ohio's public schools continue to be funded through an inadequate and inequitable system. The temporary solution to this problem is funding through parity aid, which is now considered unrestricted monies.

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

The projection of student enrollment is another issue that is hard to forecast. During 2011, the School District lost 24 students, due to the local loss of jobs, and subsequent relocation of those families. A significant increase in enrollment during the next several fiscal years is not expected. We feel this is due to the loss of area jobs from various companies, most significantly the closure of DHL Shipping in Clinton County.

Lynchburg Clay Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

In schools, as in any other business, funding is always a major concern. Since schools are dependent on local and State taxes for a portion of their funding, it is important that the State legislature and Governor make school funding a priority. The lack of appropriate State response to the DeRolph school funding lawsuit, the poor local, State and national economy, the various student educational options, the cost of implementing the No Child Left Behind Program, the various student educational options and student enrollment projections all contribute to the difficult task of establishing financial projections for our School District.

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

Contacting the School District's Financial Management

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

Lynchburg Clay Local School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$9,188,516
Accrued Interest Receivable	28,473
Inventory Held for Resale	2,384
Materials and Supplies Inventory	545
Intergovernmental Receivable	536,023
Property Taxes Receivable	2,031,741
Deferred Charges	17,967
Capital Assets:	
Land	405,668
Depreciable Capital Assets, Net	<u>18,239,333</u>
<i>Total Assets</i>	<u>30,450,650</u>
<u>Liabilities:</u>	
Accounts Payable	94,967
Accrued Wages and Benefits Payable	1,014,314
Intergovernmental Payable	230,343
Deferred Revenue	1,814,065
Matured Compensated Absences Payable	32,452
Accrued Interest Payable	4,681
Claims Payable	1,659
Long-Term Liabilities:	
Due Within One Year	152,286
Due in More Than One Year	<u>1,815,387</u>
<i>Total Liabilities</i>	<u>5,160,154</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	17,314,997
Restricted for:	
Capital Improvements	150,005
Debt Service	697,350
Set Asides	30,409
Other Purposes	1,176,104
Unrestricted	<u>5,921,631</u>
<i>Total Net Assets</i>	<u><u>\$25,290,496</u></u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$6,620,613	\$590,993	\$575,896
Special	1,106,381	81,402	969,212
Vocational	217,695	20,562	57,581
Student Intervention Services	45,695	214	0
Support Services:			
Pupils	424,254	0	61,422
Instructional Staff	747,269	0	121,858
Board of Education	58,145	0	0
Administration	1,186,072	0	24,395
Fiscal	339,506	0	0
Business	46,618	0	0
Operation and Maintenance of Plant	1,299,696	9,000	4,127
Pupil Transportation	838,002	0	32,213
Central	12,197	0	5,000
Operation of Non-Instructional Services:			
Food Services	638,962	266,611	281,369
Other	49	0	0
Extracurricular Activities	208,754	80,486	16,616
Interest and Fiscal Charges	58,638	0	0
<i>Total Governmental Activities</i>	<u>\$13,848,546</u>	<u>\$1,049,268</u>	<u>\$2,149,689</u>

General Revenues:

- Property Taxes Levied for:
 - General Purposes
 - Debt Service
 - Capital Outlay
- Grants and Entitlements not Restricted to Specific Programs
- Gifts and Donations
- Interest
- Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements

	Net (Expense) Revenue and Changes in Net Assets
<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
\$0	(\$5,453,724)
0	(55,767)
0	(139,552)
0	(45,481)
0	(362,832)
0	(625,411)
0	(58,145)
0	(1,161,677)
0	(339,506)
0	(46,618)
14,000	(1,272,569)
0	(805,789)
0	(7,197)
0	(90,982)
0	(49)
0	(111,652)
0	(58,638)
<u>\$14,000</u>	<u>(10,635,589)</u>

1,708,271
126,349
36,103
7,756,519
364,167
89,901
119,814
<u>10,201,124</u>
(434,465)
<u>25,724,961</u>
<u>\$25,290,496</u>

Lynchburg Clay Local School District
 Balance Sheet
 Governmental Funds
 June 30, 2011

	General	Food Service	Education Jobs	Debt Service	All Other Governmental	Total Governmental
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	\$7,445,945	\$62,288	\$0	\$687,306	\$875,024	\$9,070,563
Inventory Held for Resale	0	2,384	0	0	0	2,384
Materials and Supplies Inventory	0	545	0	0	0	545
Accrued Interest Receivable	28,473	0	0	0	0	28,473
Interfund Receivable	34,913	0	0	0	0	34,913
Intergovernmental Receivable	0	0	434,601	0	101,422	536,023
Property Taxes Receivable	1,857,476	0	0	130,674	43,591	2,031,741
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	30,409	0	0	0	0	30,409
Total Assets	\$9,397,216	\$65,217	\$434,601	\$817,980	\$1,020,037	\$11,735,051
<u>Liabilities:</u>						
Accounts Payable	\$82,759	\$1,185	\$0	\$0	\$11,023	\$94,967
Accrued Wages and Benefits Payable	916,563	30,460	0	0	67,291	1,014,314
Matured Compensated Absences Payable	31,185	1,070	0	0	197	32,452
Interfund Payable	0	0	0	0	34,913	34,913
Intergovernmental Payable	213,396	9,143	0	0	7,804	230,343
Deferred Revenue	1,761,384	0	404,601	122,851	40,925	2,329,761
Total Liabilities	3,005,287	41,858	404,601	122,851	162,153	3,736,750
<u>Fund Balances:</u>						
Nonspendable	0	545	0	0	0	545
Restricted	0	22,814	30,000	695,129	879,342	1,627,285
Committed	11,000	0	0	0	0	11,000
Assigned	209,334	0	0	0	0	209,334
Unassigned	6,171,595	0	0	0	(21,458)	6,150,137
Total Fund Balances	6,391,929	23,359	30,000	695,129	857,884	7,998,301
Total Liabilities and Fund Balances	\$9,397,216	\$65,217	\$434,601	\$817,980	\$1,020,037	\$11,735,051

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011

Total Governmental Fund Balances \$7,998,301

*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	405,668	
Other capital assets	32,045,058	
Accumulated depreciation	<u>(13,805,725)</u>	
Total capital assets		18,645,001

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

Delinquent property taxes	101,542	
Interest	9,553	
Intergovernmental	<u>404,601</u>	
		515,696

The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets. 85,885

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (4,681)

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. 17,967

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	(1,330,000)	
Premium on debt issue	(23,237)	
Deferred loss on refunding	5,266	
Compensated absences	<u>(619,702)</u>	
		<u>(1,967,673)</u>

Net Assets of Governmental Activities \$25,290,496

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Food Service	Education Jobs	Debt Service	All Other Governmental	Total Governmental
<u>Revenues:</u>						
Property Taxes	\$1,692,875	\$0	\$0	\$125,234	\$35,803	\$1,853,912
Intergovernmental	7,856,491	281,369	30,000	24,073	1,311,270	9,503,203
Interest	97,100	0	0	0	0	97,100
Tuition and Fees	688,222	0	0	0	0	688,222
Rent	9,000	0	0	0	0	9,000
Extracurricular Activities	4,949	0	0	0	80,486	85,435
Gifts and Donations	9,623	0	0	0	30,616	40,239
Customer Sales and Services	0	266,611	0	0	0	266,611
Miscellaneous	107,104	654	0	0	510	108,268
Total Revenues	10,465,364	548,634	30,000	149,307	1,458,685	12,651,990
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	5,821,313	0	0	0	265,747	6,087,060
Special	751,716	0	0	0	303,410	1,055,126
Vocational	193,408	0	0	0	900	194,308
Student Intervention Services	2,217	0	0	0	43,009	45,226
Support Services:						
Pupils	335,285	0	0	0	70,703	405,988
Instructional Staff	484,338	0	0	0	249,729	734,067
Board of Education	58,150	0	0	0	0	58,150
Administration	1,056,474	0	0	0	51,305	1,107,779
Fiscal	329,165	0	0	4,209	1,189	334,563
Business	43,889	0	0	0	2,729	46,618
Operation and Maintenance of Plant	879,388	7,416	0	0	351,812	1,238,616
Pupil Transportation	925,533	0	0	0	0	925,533
Central	8,666	0	0	0	3,531	12,197
Operation of Non-Instructional Services:						
Food Services	421	544,669	0	0	0	545,090
Other	49	0	0	0	0	49
Extracurricular Activities	122,706	0	0	0	82,708	205,414
Debt Service:						
Principal Retirement	0	0	0	110,000	0	110,000
Interest and Fiscal Charges	0	0	0	59,131	0	59,131
Total Expenditures	11,012,718	552,085	0	173,340	1,426,772	13,164,915
Excess of Revenues Over (Under) Expenditures	(547,354)	(3,451)	30,000	(24,033)	31,913	(512,925)
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Capital Assets	359,922	0	0	0	0	359,922
Transfers In	0	0	0	0	98,632	98,632
Insurance Recoveries	11,546	0	0	0	0	11,546
Transfers Out	(98,632)	0	0	0	0	(98,632)
Total Other Financing Sources (Uses)	272,836	0	0	0	98,632	371,468
Net Change in Fund Balances	(274,518)	(3,451)	30,000	(24,033)	130,545	(141,457)
Fund Balances at Beginning of Year - Restated (See Note 3)	6,666,447	26,810	0	719,162	727,339	8,139,758
Fund Balances at End of Year	\$6,391,929	\$23,359	\$30,000	\$695,129	\$857,884	\$7,998,301

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds (\$141,457)

*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	207,277	
Depreciation expense	<u>(981,764)</u>	
Excess of capital outlay under depreciation expense		(774,487)

Assets donated by individuals		
Capital assets		359,417

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 assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

Proceeds from sale of capital assets	(359,922)	
Loss on sale of capital assets	<u>(2,608)</u>	
		(362,530)

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	16,811	
Interest	(7,927)	
Intergovernmental	<u>381,516</u>	
		390,400

The internal service fund used by management to charge the costs of insurance to individual funds is reported in the entity-wide Statement of Activities. 6,592

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, this amount consisted of:

Bond payments		110,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the Statement of Activities is the result of the following:

Decrease in accrued interest		493
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The amortization of the bond premium, issuance costs and the deferred gain on the refunding of debt are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.

Amortization of deferred loss	(527)	
Amortization of bond premium	2,324	
Amortization of bond issuance costs	<u>(1,797)</u>	
		0

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

Increase in compensated absences payable		<u>(22,893)</u>
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Change in Net Assets of Governmental Activities (\$434,465)

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Property Taxes	\$2,018,817	\$1,799,254	\$1,783,615	(\$15,639)
Intergovernmental	7,776,889	7,798,201	7,860,001	61,800
Interest	100,170	100,445	95,306	(5,139)
Tuition and Fees	687,969	689,854	688,222	(1,632)
Rent	10,032	10,059	9,000	(1,059)
Extracurricular Activities	4,764	4,777	4,949	172
Gifts and Donations	5,158	5,172	9,623	4,451
Miscellaneous	98,981	99,252	110,284	11,032
Total Revenues	10,702,779	10,507,014	10,561,000	53,986
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,559,369	5,604,974	5,526,682	78,292
Special	826,872	950,799	770,895	179,904
Vocational	205,745	214,969	204,979	9,990
Student Intervention Services	10,925	10,925	2,009	8,916
Support Services:				
Pupils	490,048	488,807	337,971	150,836
Instructional Staff	532,362	527,525	475,160	52,365
Board of Education	42,200	54,717	59,961	(5,244)
Administration	1,186,275	1,208,731	1,106,782	101,949
Fiscal	321,781	351,617	336,124	15,493
Business	44,000	91,377	85,719	5,658
Operation and Maintenance of Plant	1,239,785	1,384,818	989,935	394,883
Pupil Transportation	894,553	1,045,829	958,150	87,679
Central	3,350	8,952	8,666	286
Operation of Non-Instructional Services:				
Food Services	550	545	421	124
Other	7,700	700	49	651
Extracurricular Activities	129,130	127,833	123,201	4,632
Total Expenditures	11,494,645	12,073,118	10,986,704	1,086,414
Excess of Revenues Over (Under) Expenditures	(791,866)	(1,566,104)	(425,704)	1,140,377
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	1,200	1,928	728
Insurance Recoveries	0	25,054	11,546	(13,508)
Proceeds from Sale of Capital Assets	0	360,500	359,922	(578)
Transfers Out	(75,000)	(420,212)	(448,938)	(28,726)
Other Financing Uses	(3,000,000)	(2,171,702)	0	2,171,702
Total Other Financing Sources (Uses)	(3,075,000)	(2,205,160)	(75,542)	2,129,618
Net Change in Fund Balance	(3,866,866)	(3,771,287)	(501,246)	3,269,995
Fund Balance at Beginning of Year	7,650,964	7,650,964	7,650,964	0
Prior Year Encumbrances Appropriated	113,028	113,028	113,028	0
Fund Balance at End of Year	\$3,897,126	\$3,992,705	\$7,262,746	\$3,269,995

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	\$237,721	\$243,425	\$274,241	\$30,816
Customer Sales and Services	291,098	298,082	266,611	(31,471)
Miscellaneous	0	0	654	654
<i>Total Revenues</i>	<u>528,819</u>	<u>541,507</u>	<u>541,506</u>	<u>(1)</u>
<u>Expenditures:</u>				
Current:				
Support Services:				
Operation and Maintenance of Plant	14,324	14,700	7,480	7,220
Operation of Non-Instructional Services:				
Food Services	<u>541,161</u>	<u>533,761</u>	<u>513,344</u>	<u>20,417</u>
<i>Total Expenditures</i>	<u>555,485</u>	<u>548,461</u>	<u>520,824</u>	<u>27,637</u>
<i>Net Change in Fund Balance</i>	(26,666)	(6,954)	20,682	27,636
<i>Fund Balance at Beginning of Year</i>	40,229	40,229	40,229	0
<i>Prior Year Encumbrances Appropriated</i>	<u>336</u>	<u>336</u>	<u>336</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$13,899</u></u>	<u><u>\$33,611</u></u>	<u><u>\$61,247</u></u>	<u><u>\$27,636</u></u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2011

	<u>Self-Insurance</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$87,544
<u>Liabilities:</u>	
Claims Payable	<u>1,659</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$85,885</u></u>

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	Self-Insurance
<u>Operating Revenues:</u>	
Charges for Services	\$1,397,263
<u>Operating Expenses:</u>	
Purchased Services	1,368,862
Claims	22,537
<i>Total Operating Expenses</i>	1,391,399
<i>Operating Income</i>	5,864
<u>Non-Operating Revenues:</u>	
Interest	728
<i>Change in Net Assets</i>	6,592
<i>Net Assets at Beginning of Year</i>	79,293
<i>Net Assets at End of Year</i>	\$85,885

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2011

	<u>Self-Insurance</u>
<i>Increases (Decreases) in Cash and Cash Equivalents</i>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Services Provided	\$1,397,263
Cash Payments to Suppliers for Goods and Services	(1,368,862)
Cash Payments for Claims	(22,863)
<i>Net Cash Provided by Operating Activities</i>	5,538
<u>Cash Flows from Investing Activities:</u>	
Interest	728
<i>Increase in Cash and Cash Equivalents</i>	6,266
<i>Cash and Cash Equivalents at Beginning of Year</i>	81,278
<i>Cash and Cash Equivalents at End of Year</i>	\$87,544
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$5,864
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>	
Decrease in Claims Payable	(326)
<i>Net Cash Provided by Operating Activities</i>	\$5,538

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$502,619	\$35,327
<u>Liabilities:</u>		
Undistributed Monies	0	\$35,327
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$502,619	

See accompanying notes to the basic financial statements

Lynchburg Clay Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
	Scholarship
<u>Additions:</u>	
Gifts and Donations	\$350,306
Interest	558
<i>Total Additions</i>	350,864
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	3,300
<i>Change in Net Assets</i>	347,564
<i>Net Assets at Beginning of Year</i>	155,055
<i>Net Assets at End of Year</i>	\$502,619

See accompanying notes to the basic financial statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1853. The School District serves an area of approximately 113 square miles. It is located in Highland, Clinton and Brown Counties, and includes all of the Village of Lynchburg, the community of Buford, and Dodson, Salem, Hamer, Union, Clay and Whiteoak Townships in Highland County, Perry and Green Townships in Brown County, and Clark Township in Clinton County. It is staffed by 87 non-certificated employees, 82 certificated personnel and six administrative employees who provide services to 1,301 students. The School District currently operates three instructional buildings, one administrative building, and one garage.

Reporting Entity

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

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

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Great Oaks Institute of Technology and Career Development, the Brown County Schools Benefits Consortium and the Northern Buckeye Educational Council Workers’ Compensation Group Retrospective Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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. The Internal Service Fund is presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and 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 and report all financial resources not accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Education Jobs Fund – The Education Jobs Fund is used to account for and report federal grants restricted to saving and creating education jobs, which enables the School District to provide education support for students. (No budgetary statement is presented for this fund due to no budgetary activity.)

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

Proprietary Fund

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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 that the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, grants and 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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

During fiscal year 2011, the School District's investments were limited to money market mutual funds, negotiable certificates of deposit, Municipal Bonds, Federal National Mortgage Association Global Notes, and Federal National Mortgage Association Step Up Medium Term Notes. Investments are reported at fair value which is based on quoted market price. For investments in open-end mutual funds, the fair value is determined by the fund's current share price.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$97,100, which includes \$19,376 assigned from other School District funds.

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

Inventory

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

Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Balances

On the fund financial statements, short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable.” These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

Compensated Absences

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

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

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

On the governmental fund financial statements, compensated absences are recognized as 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 funds from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Activity

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

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

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District for budget stabilization. See Note 17 for additional information regarding set-asides.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Loss on Refunding

On the government-wide financial statements, a current 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 improvements 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 and music and athletic programs, 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.

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.

Bond Premiums/Issuance Costs

In the government-wide financial statements, 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. Bond premiums are presented as an addition to 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 period when the debt is issued.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs, which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

The School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the following change to fund balances at June 30, 2010, as previously reported:

	General Fund	All Other Governmental Funds
Fund Balance, June 30, 2010, as Previously Reported	\$6,603,561	\$790,225
Reclassification of Funds	62,886	(62,886)
Fund Balance, June 30, 2010, as Restated	\$6,666,447	\$727,339

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Net Change in Fund Balance		
	<u>General</u>	<u>Food Service</u>	<u>Education Jobs Fund</u>
GAAP Basis	(\$274,518)	(\$3,451)	\$30,000
Adjustments:			
Revenue Accruals	89,193	(7,128)	(30,000)
Increase in Fair Market Value of Investments Fiscal Year 2011	(2,878)	0	0
Increase in Fair Market Value of Investments Fiscal Year 2010	9,321	0	0
Expenditure Accruals	(219,629)	30,224	0
Encumbrances	245,643	1,037	0
Transfers	(348,378)	0	0
Budget Basis	<u>(\$501,246)</u>	<u>\$20,682</u>	<u>\$0</u>

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.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Deposits

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2011, the School District had the following investments, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Moody Rating</u>	<u>Concentration of Credit Risk</u>
Money Market Mutual Funds	\$1,038,990	Less than one year	N/A	N/A
Negotiable Certificates of Deposit	2,016,623	1 - 2 years	N/A	22.20%
Municipal Bonds	500,800	5 years	Aaa	5.51%
Federal National Mortgage Association Global Notes	400,680	5 years	Aaa	N/A
Federal National Mortgage Association Step Up Medium Term Notes	5,126,724	5 years	Aaa	56.44%
Total Investments	<u>\$9,083,817</u>			

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

NOTE 6 - PROPERTY TAXES

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES (Continued)

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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35percent 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Highland, Clinton, and Brown Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 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, 2011, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2011, was \$105,645 in the General Fund, \$7,823 in the Debt Service Fund and \$2,666 in the Classroom Facilities Fund. The amount available as an advance at June 30, 2010, was \$196,385 in the General Fund, \$14,705 in the Debt Service Fund and \$4,086 in the Other Governmental Funds. 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 the fiscal year 2011 taxes were collected are:

	<u>Half Collections</u>		<u>Half Collections</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Real Estate	\$97,343,550	96.21%	\$97,078,190	96.06%
Public Utility Personal	3,771,580	3.73%	3,977,580	3.94%
General Business Personal	82,235	0.06%	0	0.00%
Total Assessed Value	<u>\$101,197,365</u>	<u>100.00%</u>	<u>\$101,055,770</u>	<u>100.00%</u>
Tax Rate Per \$1,000 of Assessed Valuation	\$24.80		\$24.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011, consisted of interest, interfund, intergovernmental grants, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs. All receivables will be collected within one year except for property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Education Jobs	\$434,601
Title VI-B Grant	44,286
Title I ARRA Grant	41,867
Title I Grant	2,637
IDEA Early Childhood	876
Improving Teacher Quality	11,756
Total Intergovernmental Receivable	<u>\$536,023</u>

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 - CAPITAL ASSETS

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

	Balance at 6/30/10	Additions	Deductions	Balance at 6/30/11
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$405,668	\$359,417	(\$359,417)	\$405,668
Capital Assets Being Depreciated:				
Land Improvements	2,310,725	0	0	2,310,725
Buildings and Building Improvements	25,065,769	0	0	25,065,769
Furniture, Fixtures and Equipment	2,818,224	56,117	(325,819)	2,548,522
Vehicles	1,397,285	151,160	(92,133)	1,456,312
Books and Educational Media	663,730	0	0	663,730
Total Capital Assets Being Depreciated	32,255,733	207,277	(417,952)	32,045,058
Less Accumulated Depreciation:				
Land Improvements	(1,075,835)	(104,294)	0	(1,180,129)
Buildings and Building Improvements	(8,493,963)	(640,247)	0	(9,134,210)
Furniture, Fixtures and Equipment	(1,936,914)	(148,051)	324,652	(1,760,313)
Vehicles	(1,095,118)	(81,734)	90,187	(1,086,665)
Books and Educational Media	(636,970)	(7,438)	0	(644,408)
Total Accumulated Depreciation	(13,238,800)	(981,764) *	414,839	(13,805,725)
Total Capital Assets Being Depreciated, Net	19,016,933	(774,487)	(3,113)	18,239,333
Governmental Activities Capital Assets, Net	\$19,422,601	(\$415,070)	(\$362,530)	\$18,645,001

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$557,704
Special	59,287
Vocational	23,514
Support Services:	
Pupils	18,500
Instructional Staff	14,396
Administration	78,232
Fiscal	1,414
Operation and Maintenance of Plant	50,157
Pupil Transportation	81,236
Operation of Non-Instructional Services:	
Food Services	94,031
Extracurricular Activities	3,293
Total Depreciation Expense	\$981,764

NOTE 9 - RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with Ohio Casualty Insurance for property insurance, fleet insurance, liability insurance, and inland marine coverage.

Settled claims have not exceeded this commercial coverage in any of the past five fiscal years.

Workers' Compensation

For fiscal year 2011, the District participated in the Northern Buckeye Educational Council Workers' Compensation Group Retrospective Rating Plan (GRRP), an insurance purchasing pool (Note 16). The intent of the GRRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRRP.

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

Vision and Dental Benefits

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

The information presented below represents an estimate of vision and dental claims. The claims liability of \$1,659 reported in the internal service fund at June 30, 2011, is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 - RISK MANAGEMENT (Continued)

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2010	\$ 13,791	\$ 11,422	\$ 23,228	\$ 1,985
2011	1,985	22,537	22,863	1,659

Employee Medical Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 16) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$92,140, \$246,060 and \$158,084, respectively. The full amount has been contributed for fiscal years 2011, 2010, and 2009.

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

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 and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefit 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 STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$547,434, \$643,824, and \$622,793, respectively. For fiscal year 2011, 90.21 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$19,360 made by the School District and \$13,828 made by the plan members.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 11 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$35,800 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$30,960, \$49,958, and \$96,424, respectively. For fiscal year 2011, 100 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$5,929, \$14,633, and \$13,043, respectively. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$42,110, \$49,525, and \$47,907 respectively. For fiscal year 2011, 90.21 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from School District policies and State laws. Eligible classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Each fiscal year, employees are given the option to request payment for up to 10 days of vacation leave at fiscal year-end.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 52 days.

Special Termination Benefits

The School District offers an Early Notice of Retirement Incentive program to all employees who are eligible to retire under either SERS or STRS. The employees who give written notice of the intended retirement date on or before March 1 of the year in which they intend to retire will receive an incentive payment. The employees may exercise this option in the first, second, or third year of eligibility for retirement. The incentive amount is calculated by multiplying an average of the last three full years' wages by the years of service and a factor rate. The factor rate is .005 for the first year, .0033 for the second year, and .0025 for the third year. Payment is made on June 1 of the year in which the employee retires. During fiscal year 2011, one employee received the special termination benefit of \$8,838.

Insurance Benefits

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Amounts Outstanding 6/30/2010	Additions	Deductions	Amounts Outstanding 6/30/2011	Amounts Due in One Year
Governmental Activities:					
1998 School Improvement Bonds, 3.8%	\$555,000	\$0	\$100,000	\$455,000	\$105,000
2008 School Improvement Bonds, 3.8%	885,000	0	10,000	875,000	10,000
Premium on Refunding	25,561	0	2,324	23,237	0
Deferred Loss on Refunding	(5,793)	0	(527)	(5,266)	0
Compensated Absences	596,809	77,875	54,982	619,702	37,286
Total Governmental Activities	<u>\$2,056,577</u>	<u>\$77,875</u>	<u>\$166,779</u>	<u>\$1,967,673</u>	<u>\$152,286</u>

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

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

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

The School District's overall legal debt margin was \$8,460,148 with an unvoted debt margin of \$101,056 at June 30, 2011.

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the school improvement bonds outstanding at June 30, 2011, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2012	\$115,000	\$53,065	\$168,065
2013	120,000	46,719	166,719
2014	125,000	40,091	165,091
2015	131,103	37,087	168,190
2016	78,896	90,779	169,675
2017-2021	760,001	77,075	837,076
Total	<u>\$1,330,000</u>	<u>\$344,816</u>	<u>\$1,674,816</u>

NOTE 14 - FUND BALANCES

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

Fund Balances	General	Food Service	Education Jobs	Debt Service	Other Governmental Funds	Total
<i>Nonspendable</i>						
Inventory	\$0	\$545	\$0	\$0	\$0	\$545
<i>Restricted for</i>						
Debt Service	0	0	0	695,129	0	695,129
Permanent Improvements	0	0	0	0	150,005	150,005
Classroom Facilities	0	0	0	0	661,077	661,077
District Managed Activity	0	0	0	0	47,079	47,079
EMIS	0	0	0	0	1,666	1,666
Food Service Operations	0	22,814	0	0	0	22,814
Grants	0	0	30,000	0	19,515	49,515
<i>Total Restricted</i>	<u>0</u>	<u>22,814</u>	<u>30,000</u>	<u>695,129</u>	<u>879,342</u>	<u>1,627,285</u>
<i>Committed to</i>						
Other Purposes	11,000	0	0	0	0	11,000
<i>Assigned to</i>						
Other Purposes	209,334	0	0	0	0	209,334
<i>Unassigned (Deficit)</i>	<u>6,171,595</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(21,458)</u>	<u>6,150,137</u>
<i>Total Fund Balances</i>	<u>\$6,391,929</u>	<u>\$23,359</u>	<u>\$30,000</u>	<u>\$695,129</u>	<u>\$857,884</u>	<u>\$7,998,301</u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, and a representative of the fiscal agent. The School District paid SCOCA \$89,435 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Great Oaks Institute of Technology and Career Development

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

NOTE 16 - INSURANCE PURCHASING POOLS

Brown County Schools Benefits Consortium

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

Northern Buckeye Education Council Officials Workers’ Compensation Group Retrospective Rating Plan

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

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 17 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and 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 School District is no longer required to set aside funds in the budget reserve, with the exception of monies received from the Bureau of Workers' Compensation prior to April 10, 2001, which must be retained for budget stabilization or spent for specified purposes.

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

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization
Set-Aside Balance as of June 30, 2010	(\$703,940)	\$0	\$30,409
Current Fiscal Year Set-aside Requirement	191,837	191,837	0
Current Fiscal Year Qualifying Expenditures	(89,912)	(99,536)	0
Current Fiscal Year Offsets	0	(92,301)	0
Totals	<u>(\$602,015)</u>	<u>\$0</u>	<u>\$30,409</u>
Set-Aside Balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>	<u>\$30,409</u>
Set-Aside Balance Carried Forward to Fiscal Year 2011	<u>(\$602,015)</u>	<u>\$0</u>	<u>\$30,409</u>

Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amounts to below zero for textbooks and instructional materials and capital acquisition, only the amount for the textbooks and instructional materials 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 18 - INTERFUND ACTIVITY

Interfund Receivables/Payables

As of June 30, 2011, receivables and payables that resulted from various interfund transactions were as follows:

Payable	All Other Governmental Funds	<table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Receivable</td> </tr> <tr> <td style="text-align: center;"><u>General Fund</u></td> </tr> <tr> <td style="text-align: center;"><u>\$34,913</u></td> </tr> </table>	Receivable	<u>General Fund</u>	<u>\$34,913</u>
Receivable					
<u>General Fund</u>					
<u>\$34,913</u>					

Lynchburg Clay Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 18 - INTERFUND ACTIVITY (Continued)

The amounts due to the General Fund from All Other Governmental Funds are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in All Other Governmental Funds within one fiscal year.

Transfers To/From Other Funds

Transfers made during the fiscal year ended June 30, 2011, were as follows:

	Transfer From	Transfer To
	General Fund	All Other Governmental Funds <hr style="width: 100%;"/> \$98,632 <hr style="width: 100%;"/>

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

NOTE 19 - CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Litigation

The School District is not currently party to legal proceedings.

NOTE 20 - ACCOUNTABILITY

At June 30, 2011, the Fiscal Stabilization, Title I, and Title VI-R Special Revenue Funds had deficit fund balances of \$20,242, \$738, and \$478, respectively. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

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

**SCHEDULE of FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed through Ohio Department of Education:</i>					
Nutrition Cluster:					
National School Breakfast Program	10.553	\$71,807		\$71,807	
National School Lunch Program	10.555	196,717	\$34,509	196,717	\$33,410
<i>Total Nutrition Cluster</i>		<u>268,524</u>	<u>34,509</u>	<u>268,524</u>	<u>33,410</u>
Total U.S. Department of Agriculture		268,524	34,509	268,524	33,410
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title I -	84.010	143,279		161,273	
ARRA - Title I	84.389	41,618		47,571	
<i>Total Title I</i>		<u>184,897</u>		<u>208,844</u>	
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B	84.027	231,096		238,553	
ARRA - IDEA Part B	84.391	63,955		65,404	
Early Childhood	84.173	2,845		2,032	
ARRA - Early Childhood	84.392	7,117		4,481	
<i>Total Special Education Cluster</i>		<u>305,013</u>		<u>310,470</u>	
Drug Free Schools Grant	84.186	108		108	
Title IID Educational Technology	84.318	910		1,093	
Improving Teacher Quality	84.367	59,863		63,949	
ARRA-State Fiscal Stabilization Fund (SFSF)	84.394	655,973		685,657	
Total Department of Education		<u>1,206,764</u>	-	<u>1,270,121</u>	-
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 1,475,288</u>	<u>\$ 34,509</u>	<u>\$ 1,538,645</u>	<u>\$ 33,410</u>

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Lynchburg-Clay Local School District
Highland County
301 E. Pearl Street
Lynchburg, Ohio 45141

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynchburg-Clay Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2012, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not for opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Lynchburg-Clay Local School District
Highland County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 12, 2012.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

March 12, 2012



Dave Yost • Auditor of State

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

Lynchburg-Clay Local School District
Highland County
301 E. Pearl Street
Lynchburg, Ohio 45142

To the Board of Education:

Compliance

We have audited the compliance of Lynchburg-Clay Local School District, Highland County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Lynchburg-Clay Local School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Lynchburg-Clay Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 12, 2012.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 12, 2012

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Fiscal Stabilization Fund CFDA #84.394, Special Education Cluster CFDA #84.027 84.173 84.391 and 84.392, Nutrition Cluster CFDA #10.553 and 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Expenditures were made from the SFSF grant outside the period of availability.	Yes	

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Lynchburg-Clay Local School District
Highland County
301 E. Pearl Street
Lynchburg, Ohio 45141

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on July 20, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

March 12, 2012

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Dave Yost • Auditor of State

LYNCHBURG-CLAY LOCAL SCHOOL DISTRICT

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2012