



**CLAY LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Clay Local School District  
Scioto County  
44 Clay High Street  
Portsmouth, Ohio 45662

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Clay Local School District, Scioto County, Ohio (the School District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Clay Local School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 21, 1999, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**JIM PETRO**  
Auditor of State

December 21, 1999



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**Clay Local School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 1999**

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS
<b>Assets and Other Debits</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$214,046	\$35,212	\$2,081
Receivables:			
Taxes	829,052	0	77,141
Intergovernmental	0	0	60,292
Prepaid Items	11,407	0	0
Materials and Supplies Inventory	22,714	0	0
Inventory Held for Resale	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	35,796	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0
<b>Other Debits:</b>			
Amount to be Provided from General Government Resources	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$1,113,015</b>	<b>\$35,212</b>	<b>\$139,514</b>
<b>Liabilities, Fund Equity and Other Credits</b>			
<b>Liabilities:</b>			
Accounts Payable	\$12,842	\$0	\$0
Contracts Payable	6,126	0	0
Accrued Wages and Benefits Payable	229,661	22,788	0
Intergovernmental Payable	50,556	4,118	0
Undistributed Monies	0	0	0
Deferred Revenue	779,177	0	72,789
Energy Conservation Loan Payable	0	0	0
Compensated Absences Payable	10,907	0	0
<b>Total Liabilities</b>	<b>1,089,269</b>	<b>26,906</b>	<b>72,789</b>
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved (Deficit)	0	0	0
Fund Balance:			
Reserved for Encumbrances	20,101	0	50
Reserved for Inventory	22,714	0	0
Reserved for Property Taxes	49,875	0	4,352
Reserved for Buses	18,043	0	0
Reserved for Budget Stabilization	17,753	0	0
Unreserved, Undesignated (Deficit)	(104,740)	8,306	62,323
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>23,746</b>	<b>8,306</b>	<b>66,725</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$1,113,015</b>	<b>\$35,212</b>	<b>\$139,514</b>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements



PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	AGENCY			
\$0	\$16,784	\$0	\$0	\$268,123
0	0	0	0	906,193
0	0	0	0	60,292
0	0	0	0	11,407
338	0	0	0	23,052
1,445	0	0	0	1,445
0	0	0	0	35,796
2,012	0	750,676	0	752,688
0	0	0	328,701	328,701
<u>\$3,795</u>	<u>\$16,784</u>	<u>\$750,676</u>	<u>\$328,701</u>	<u>\$2,387,697</u>
\$0	\$0	\$0	\$0	\$12,842
0	0	0	0	6,126
10,162	0	0	0	262,611
5,204	0	0	26,169	86,047
0	16,784	0	0	16,784
957	0	0	0	852,923
0	0	0	83,678	83,678
16,447	0	0	218,854	246,208
<u>32,770</u>	<u>16,784</u>	<u>0</u>	<u>328,701</u>	<u>1,567,219</u>
0	0	750,676	0	750,676
(28,975)	0	0	0	(28,975)
0	0	0	0	20,151
0	0	0	0	22,714
0	0	0	0	54,227
0	0	0	0	18,043
0	0	0	0	17,753
0	0	0	0	(34,111)
<u>(28,975)</u>	<u>0</u>	<u>750,676</u>	<u>0</u>	<u>820,478</u>
<u>\$3,795</u>	<u>\$16,784</u>	<u>\$750,676</u>	<u>\$328,701</u>	<u>\$2,387,697</u>

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**Clay Local School District**  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 1999

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	
<b>Revenues:</b>					
Property Taxes	\$735,126	\$0	\$0	\$68,216	\$803,342
Tuition and Fees	3,801	0	0	0	3,801
Interest	27,499	0	0	0	27,499
Intergovernmental	1,901,810	272,573	0	128,925	2,303,308
Extracurricular Activities	45,138	0	0	0	45,138
Gifts and Donations	43,984	0	0	0	43,984
Rent	75	0	0	0	75
Miscellaneous	12,344	7,048	0	23,494	42,886
Total Revenues	<u>2,769,777</u>	<u>279,621</u>	<u>0</u>	<u>220,635</u>	<u>3,270,033</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	1,320,105	31,643	0	143,724	1,495,472
Special	180,081	179,788	0	0	359,869
Vocational	52,332	0	0	0	52,332
Other	66,848	0	0	0	66,848
Support Services:					
Pupils	94,462	12,464	0	0	106,926
Instructional Staff	115,850	38,803	0	1,214	155,867
Board of Education	11,956	0	0	0	11,956
Administration	296,333	0	0	1,664	297,997
Fiscal	106,561	1,500	0	0	108,061
Operation and Maintenance of Plant	268,461	0	0	0	268,461
Pupil Transportation	177,209	26	0	0	177,235
Central	20,828	0	0	0	20,828
Extracurricular Activities	73,403	0	0	0	73,403
Capital Outlay	77,578	0	0	163,901	241,479
Debt Service:					
Principal Retirement	0	0	41,839	0	41,839
Interest and Fiscal Charges	0	0	6,690	0	6,690
Intergovernmental	0	28,125	0	0	28,125
Total Expenditures	<u>2,862,007</u>	<u>292,349</u>	<u>48,529</u>	<u>310,503</u>	<u>3,513,388</u>
Excess of Revenues					
Under Expenditures	<u>(92,230)</u>	<u>(12,728)</u>	<u>(48,529)</u>	<u>(89,868)</u>	<u>(243,355)</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	1,200	0	0	0	1,200
Operating Transfers - In	0	1,533	48,529	0	50,062
Operating Transfers - Out	(2,678)	0	0	(48,529)	(51,207)
Total Other Financing Sources (Uses)	<u>(1,478)</u>	<u>1,533</u>	<u>48,529</u>	<u>(48,529)</u>	<u>55</u>
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(93,708)	(11,195)	0	(138,397)	(243,300)
Fund Balance at Beginning of Year	111,215	19,501	0	205,122	335,838
Increase in Reserve for Inventory	6,239	0	0	0	6,239
Fund Balance at End of Year	<u>\$23,746</u>	<u>\$8,306</u>	<u>\$0</u>	<u>\$66,725</u>	<u>\$98,777</u>

See Accompanying Notes to the General Purpose Financial Statements

**Clay Local School District**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 1999

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property and Other Local Taxes	\$742,103	\$742,103	\$0	\$0	\$0	\$0
Tuition and Fees	3,801	3,801	0	0	0	0
Interest	27,499	27,499	0	0	0	0
Intergovernmental	1,901,810	1,901,810	0	248,807	248,807	0
Extracurricular Activities	45,138	45,138	0	0	0	0
Gifts and Donations	43,984	43,984	0	0	0	0
Rent	75	75	0	0	0	0
Miscellaneous	10,281	10,281	0	7,048	7,048	0
Total Revenues	<u>2,774,691</u>	<u>2,774,691</u>	<u>0</u>	<u>255,855</u>	<u>255,855</u>	<u>0</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,305,886	1,305,886	0	31,643	31,643	0
Special	198,794	198,794	0	174,754	174,754	0
Vocational	58,850	58,850	0	0	0	0
Other	66,848	66,848	0	0	0	0
Support Services:						
Pupils	94,516	94,516	0	12,544	12,544	0
Instructional Staff	115,584	115,584	0	38,672	38,672	0
Board of Education	11,498	11,498	0	0	0	0
Administration	293,309	293,309	0	0	0	0
Fiscal	106,439	106,439	0	1,499	1,499	0
Operation and Maintenance of Plant	270,074	270,074	0	0	0	0
Pupil Transportation	183,924	183,924	0	26	26	0
Central	22,975	22,975	0	0	0	0
Extracurricular Activities	73,861	73,861	0	0	0	0
Capital Outlay	82,282	82,282	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>2,884,840</u>	<u>2,884,840</u>	<u>0</u>	<u>259,138</u>	<u>259,138</u>	<u>0</u>
Excess of Revenues						
Under Expenditures	(110,149)	(110,149)	0	(3,283)	(3,283)	0
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	2,063	2,063	0	0	0	0
Proceeds from Sale of Fixed Assets	1,200	1,200	0	0	0	0
Operating Transfers - In	0	0	0	1,533	1,533	0
Operating Transfers - Out	(2,678)	(2,678)	0	0	0	0
Total Other Financing Sources (Uses)	<u>585</u>	<u>585</u>	<u>0</u>	<u>1,533</u>	<u>1,533</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(109,564)	(109,564)	0	(1,750)	(1,750)	0
Fund Balance at Beginning of Year	296,030	296,030	0	32,154	32,154	0
Prior Year Encumbrances Appropriated	31,497	31,497	0	4,808	4,808	0
Fund Balance at End of Year	<u>\$217,963</u>	<u>\$217,963</u>	<u>\$0</u>	<u>\$35,212</u>	<u>\$35,212</u>	<u>\$0</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS			TOTALS - (MEMORANDUM ONLY)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$69,474	\$69,474	\$0	\$811,577	\$811,577	\$0
0	0	0	0	0	0	3,801	3,801	0
0	0	0	0	0	0	27,499	27,499	0
0	0	0	68,633	68,633	0	2,219,250	2,219,250	0
0	0	0	0	0	0	45,138	45,138	0
0	0	0	0	0	0	43,984	43,984	0
0	0	0	0	0	0	75	75	0
0	0	0	0	0	0	17,329	17,329	0
0	0	0	138,107	138,107	0	3,168,653	3,168,653	0
0	0	0	145,062	145,062	0	1,482,591	1,482,591	0
0	0	0	0	0	0	373,548	373,548	0
0	0	0	0	0	0	58,850	58,850	0
0	0	0	0	0	0	66,848	66,848	0
0	0	0	0	0	0	107,060	107,060	0
0	0	0	1,214	1,214	0	155,470	155,470	0
0	0	0	0	0	0	11,498	11,498	0
0	0	0	1,664	1,664	0	294,973	294,973	0
0	0	0	0	0	0	107,938	107,938	0
0	0	0	0	0	0	270,074	270,074	0
0	0	0	0	0	0	183,950	183,950	0
0	0	0	0	0	0	22,975	22,975	0
0	0	0	0	0	0	73,861	73,861	0
0	0	0	244,992	244,992	0	327,274	327,274	0
41,839	41,839	0	0	0	0	41,839	41,839	0
6,690	6,690	0	0	0	0	6,690	6,690	0
48,529	48,529	0	392,932	392,932	0	3,585,439	3,585,439	0
(48,529)	(48,529)	0	(254,825)	(254,825)	0	(416,786)	(416,786)	0
0	0	0	23,494	23,494	0	25,557	25,557	0
0	0	0	0	0	0	1,200	1,200	0
48,529	48,529	0	0	0	0	50,062	50,062	0
0	0	0	(48,529)	(48,529)	0	(51,207)	(51,207)	0
48,529	48,529	0	(25,035)	(25,035)	0	25,612	25,612	0
0	0	0	(279,860)	(279,860)	0	(391,174)	(391,174)	0
0	0	0	142,316	142,316	0	470,500	470,500	0
0	0	0	139,575	139,575	0	175,880	175,880	0
\$0	\$0	\$0	\$2,031	\$2,031	\$0	\$255,206	\$255,206	\$0

**Clay Local School District**  
Statement of Revenues, Expenses and  
Changes in Retained Earnings  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 1999

	<b>ENTERPRISE</b>
<b><i>Operating Revenues:</i></b>	
Sales	\$76,049
<b><i>Operating Expenses:</i></b>	
Salaries and Wages	59,127
Fringe Benefits	23,871
Purchased Services	3,216
Supplies and Materials	3,601
Cost of Sales	81,743
Other	320
Depreciation	99
Total Operating Expenses	171,977
Operating Loss	(95,928)
<b><i>Non-Operating Revenues:</i></b>	
Federal and State Subsidies	74,258
Federal Donated Commodities	13,205
Interest	29
Total Non-Operating Revenues	87,492
Loss Before Operating Transfers	(8,436)
Operating Transfer - In	1,145
Net Loss	(7,291)
Retained Earnings (Deficit) at Beginning of Year	(21,684)
Retained Earnings (Deficit) at End of Year	(\$28,975)

See Accompanying Notes to the General Purpose Financial Statements

**Clay Local School District**  
Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 1999

	ENTERPRISE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Sales	\$76,049	\$76,049	\$0
Federal and State Subsidies	74,258	74,258	0
Interest	29	29	0
Total Revenues	150,336	150,336	0
<b>Expenses:</b>			
Salaries and Wages	57,730	57,730	0
Fringe Benefits	23,287	23,287	0
Purchased Services	3,217	3,217	0
Supplies and Materials	71,765	71,765	0
Other	320	320	0
Total Expenses	156,319	156,319	0
Excess of Revenues Over (Under) Expenses	(5,983)	(5,983)	0
Operating Transfers - In	1,145	1,145	0
Excess of Revenues Over (Under) Expenses and Transfers	(4,838)	(4,838)	0
Retained Earnings at Beginning of Year	4,838	4,838	0
Retained Earnings at End of Year	\$0	\$0	\$0

See Accompanying Notes to the General Purpose Financial Statements

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**Clay Local School District**  
Statement of Cash Flows  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 1999

	<u>ENTERPRISE</u>
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>	
<b><i>Cash Flows from Operating Activities:</i></b>	
Cash Received from Customers	\$76,049
Cash Payments to Employees for Services and Benefits	(81,017)
Cash Payments to Suppliers for Goods and Services	(74,982)
Other Operating Expenses	(320)
Net Cash Used for Operating Activities	<u>(80,270)</u>
<b><i>Cash Flows from Noncapital Financing Activities:</i></b>	
Operating Transfers - In	1,145
Federal and State Subsidies	74,258
Net Cash Provided by Noncapital Financing Activities	<u>75,403</u>
<b><i>Cash Flows from Investing Activities:</i></b>	
Interest	<u>29</u>
Net Decrease in Cash and Cash Equivalents	(4,838)
Cash and Cash Equivalents at Beginning of Year	<u>4,838</u>
Cash and Cash Equivalents at End of Year	<u><u>\$0</u></u>
<b><i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</i></b>	
Operating Loss	(\$95,928)
<b><i>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</i></b>	
Depreciation	99
Donated Commodities Received	13,205
<b><i>Changes in Assets and Liabilities:</i></b>	
Decrease in Supplies Inventory	139
Decrease in Inventory Held for Resale	234
Increase in Accrued Wages and Benefits Payable	653
Increase in Intergovernmental Payable	266
Increase in Compensated Absences Payable	1,062
Net Cash Used for Operating Activities	<u><u>(\$80,270)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

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Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

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

The School District was established in 1909 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 19.93 square miles. It is located in Scioto County, and includes Clay Township. It is staffed by 25 non-certificated employees, 48 certificated full-time teaching personnel and 3 administrative employees who provide services to 599 students and other community members. The School District currently operates 3 instructional buildings and 2 storage buildings.

*Reporting Entity:*

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

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

The following organizations which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these organizations nor are they fiscally dependent on the District:

- \* Pilasco - Ross
- \* Boosters Clubs
- \* Parent - Teacher Organizations
- \* South Central Ohio Educational Service Center

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

(continued)

The School District is associated with five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Scioto County Joint Vocational School, the Coalition of Rural and Appalachian Schools, the Scioto County Regional Council of Governments, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15, 16, and 17 to the general purpose financial statements.

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

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

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Proprietary Fund Type:*

The proprietary fund is used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

*Enterprise Fund* - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Fiduciary Fund Type:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary fund.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary fund.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance and grants.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. 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 certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund type level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

By no later than January 20, the Board-adopted budget is filed with the Scioto County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. At year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year two supplemental appropriations were legally enacted, however neither were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. Prior to year end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.



Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, 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's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and repurchase agreements. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposits are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$27,499, which includes \$12,223 from other School District funds. The enterprise fund also received interest revenue of \$29.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the proprietary fund consists of donated food and purchased food held for resale and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are depreciated using the straight line method over the estimated useful life of each asset. General fixed assets are depreciated on the following basis:

Buildings	35 - 60 years
Improvements to Buildings	5 - 20 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	4 years
Textbooks	10 years

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of five to twenty years.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

*Entitlements*

*General Fund*

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Miscellaneous Grants (JOGS)
- Title I
- Title VI
- Title VI-B
- Professional Development Block Grant
- Instructional Material Subsidy

*Capital Projects Funds*

- School Net Plus
- Technology Equity
- Emergency Building Repair

*Reimbursable Grants*

*General Fund*

- Driver Education

*Proprietary Funds*

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Grants and entitlements received in governmental funds amounted to seventy percent of governmental fund revenues during the 1999 fiscal year.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, loans and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources.

Obligations financed by the proprietary fund are reported as liabilities in the proprietary fund.

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**M. 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.

**N. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenues and expenditures.

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 1999, the Title VI-B and Title I Special Revenue Funds had deficit fund balances of \$210 and \$380, respectively, and the Food Service Enterprise Fund had deficit retained earnings of \$28,975. All deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The following fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 1999:

Fund Type/Fund	Estimated Resources	Appropriations	Excess
Capital Project Fund:			
Emergency Building Repair	\$85,248	\$145,540	(\$60,292)

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Capital Projects
GAAP Basis	(\$93,708)	(\$11,195)	(\$138,397)
Revenue Accruals	6,977	(23,766)	(59,034)
Expenditure Accruals	9,046	33,211	(82,379)
Encumbrances	(31,879)	0	(50)
Budget Basis	(\$109,564)	(\$1,750)	(\$279,860)

Net Loss/Excess of Revenues Under  
Expenses and Transfers  
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$7,291)
Revenue Accruals	(13,205)
Expense Accruals	15,559
Depreciation Expense	99
Budget Basis	(\$4,838)

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

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

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);



Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was (\$60,529) and the bank balance was \$70,170. The entire bank balance was covered by federal depository insurance.

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Unclassified	Carrying Value	Fair Value
Repurchase Agreements	\$76,000	\$0	\$76,000	\$76,008
STAR Ohio	0	288,448	288,448	288,448
Totals	\$76,000	\$288,448	\$364,448	\$364,456

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities that use Proprietary Fund Accounting"*. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$303,919	\$0
Investments:		
Repurchase Agreements	(76,000)	76,000
STAR Ohio	(288,448)	288,448
<i>GASB Statement No. 3</i>	(\$60,529)	\$364,448

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 6 - PROPERTY TAXES** (continued)

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.

Tangible personal property taxes paid 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.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$28,441,010	77.33%	\$32,737,970	79.64%
Public Utility	4,336,820	11.80%	4,464,080	10.86%
Tangible Personal Property	3,998,750	10.87%	3,904,620	9.50%
Total Assessed Value	<u>\$36,776,580</u>	<u>100.00%</u>	<u>\$41,106,670</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.09		\$33.09	

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$49,875 in the General Fund and \$4,352 in the Permanent Improvement Capital Projects Fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 7 - RECEIVABLES** (continued)

The principal item of intergovernmental receivable follows:

	Amount
Capital Projects Fund	
Ohio School Facilities Emergency Repairs	\$60,292

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$31,503
Less Accumulated Depreciation	(29,491)
Net Fixed Assets	\$2,012

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$36,900	\$0	\$0	\$36,900
Buildings and Improvements	1,241,475	489,987	0	1,731,462
Furniture, Fixtures and Equipment	483,565	145,444	31,630	597,379
Books	338,923	0	0	338,923
Vehicles	303,029	0	24,269	278,760
Construction in Progress	429,695	0	429,695	0
Totals	\$2,833,587	\$635,431	\$485,594	2,983,424
Depreciation				(2,232,748)
Total General Fixed Assets				\$750,676

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Vern Riffe Insurance for property and fleet insurance, and inland marine coverage and with Nationwide Insurance for general liability. Coverages provided are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$9,849,269
Inland Marine Coverage (\$100 deductible)	56,482
Boiler and Machinery (included above)	No limit
Automobile Liability (\$1,000 deductible)	350,000
Uninsured Motorists (\$1,000 deductible)	350,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

The School District is a member of the Scioto County Regional Council of Governments, a public entity shared risk pool (Note 16), consisting of school districts within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$29,807, \$44,277, and \$43,745, respectively; 45 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$16,490 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$84,131, \$167,904, and \$186,099, respectively; 81 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$16,011 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$112,174 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$34,220.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 30 - 50 days, depending on years of service.

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Obligations Outstanding 6/30/98	Additions	Deductions	Obligations Outstanding 6/30/99
Energy Conservation Loan 5.33%	\$125,517	\$0	\$41,839	\$83,678
Pension Obligation	28,506	26,169	28,506	26,169
Compensated Absences	228,319	0	9,465	218,854
Total General Long-Term Obligations	<u>\$382,342</u>	<u>\$26,169</u>	<u>\$79,810</u>	<u>\$328,701</u>



Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

The Energy Conservation Loan was received on July 1, 1997 in the amount of \$125,517 and was used to replace boilers at the high school and to replace lighting fixtures in all of the buildings. This loan will be repaid from the Permanent Improvement Capital Projects fund by transfers to the Debt Service fund and will be retired by July 1, 2000.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$3,699,600 with an unvoted debt margin of \$41,107 at June 30, 1999.

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$41,839	\$4,460	\$46,299
2001	41,839	2,230	44,069
Total	<u>\$83,678</u>	<u>\$6,690</u>	<u>\$90,368</u>

**NOTE 14 - CONTRACTUAL COMMITMENTS**

As of June 30, 1999, the School District had contractual purchase commitments for construction at the high school as follows:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/99
LMC Construction	<u>\$76,570</u>	<u>\$70,444</u>	<u>\$6,126</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 Adams, Brown, Highland, Lawrence, Pike, Ross, Scioto, and Vinton 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 elected by majority vote of all charter member school districts within each county, two school treasurers, plus one representative from the fiscal agent. The School District paid SCOCA \$2,340 for services provided during the year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

*Scioto County Joint Vocational School* - The Scioto County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the City and County Boards within Scioto County, each of which possesses its own budgeting and taxing authority. To obtain financial information write to the Scioto County Joint Vocational School at P.O. Box 766, Lucasville, Ohio 45648.

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. During fiscal year 1999, the School District paid the Coalition \$300 for annual membership dues.

**NOTE 16 - PUBLIC ENTITY SHARED RISK POOL**

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

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 17 - INSURANCE PURCHASING POOL**

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

**NOTE 18 - SCHOOL FUNDING**

On March 24, 1997 the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,781,997 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

**NOTE 19 - SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. The following information describes the changes in the amounts set-aside for textbooks and instructional materials, and capital improvements from the end of the prior year to the end of the current year.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 19 - SET-ASIDE CALCULATIONS** (continued)

**A. Textbooks and Instructional Materials**

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$34,803	
Qualifying expenditures made during the year	(34,803)	
Amount of offsets for the year	0	
Total		0
Balance of the set-aside to be carried forward to next year		\$0

**B. Capital Improvements**

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$34,803	
Qualifying expenditures made during the year	(34,803)	
Amount of offsets for the year	0	
Total		0
Balance of the set-aside to be carried forward to next year		\$0

**C. Budget Stabilization**

Set-aside balance carried forward from the prior year		\$17,495
Current year set-aside requirement	\$258	
Qualifying expenditures made during the year	0	
Amount of offsets for the year	0	
Total		258
Balance of the set-aside to be carried forward to next year		\$17,753

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 19 - SET-ASIDE CALCULATIONS** (continued)

**D. School Bus Purchases**

Balance carried forward from the prior year		\$8,148
Current year amount received	\$9,895	
Qualifying expenditures made during the year	<u>0</u>	
Total		<u>9,895</u>
Balance to be carried forward to next year		<u><u>\$18,043</u></u>

Amounts of offsets and qualifying expenditures presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have material adverse effect on the overall financial position of the School District at June 30, 1999.

**B. Litigation**

The School District is not party to any legal proceedings.

Clay Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 21 - YEAR 2000**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the governments' operations, as early as fiscal year 1999.

The School District's Year 2000 committee, consisting of the superintendent, high school principal, elementary principal, technology coordinator, and the treasurer, is in the process of addressing possible Year 2000 concerns. The School District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting School District operations. A vendor search was done to determine which vendors provide services or supplies that are mission critical to the operations of the District. Year 2000 compliance survey forms have been forwarded to the identified vendors; however, all vendors have not yet responded.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems and any associated costs.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems and any associated costs.

Scioto County distributes a substantial sum of money to the School District in the form of taxes. The County is responsible for remediating these systems and any associated costs.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School does business will be year 2000 ready.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Facsimile 740-594-2110

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Clay Local School District  
Scioto County  
44 Clay High Street  
Portsmouth, Ohio 45662

To the Board of Education:

We have audited the financial statements of the Clay Local School District, Scioto County, Ohio ( the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 21, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the School District in a separate letter dated December 21, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, we have reported to the management of the School District in a separate letter dated December 21, 1999.

Clay Local School District  
Scioto County  
Report of Independent Accounts on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

**JIM PETRO**  
Auditor of State

December 21, 1999





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CLAY LOCAL SCHOOL DISTRICT**

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 18, 2000**