



**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Claymont City School District
Tuscarawas County
201 North Third Street
Dennison, Ohio 44621

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major General Fund and the aggregate remaining fund information of the Claymont City School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2007, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major General Fund and the aggregate remaining fund information of the Claymont City School District, Tuscarawas County, Ohio, as of June 30, 2007, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2008, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is 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. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 7, 2008

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The discussion and analysis of the Claymont City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$85,800 which represents a 0.37% increase from 2006.
- General revenues accounted for \$15,180,231 in revenue or 74.29% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,254,508 or 25.71% of total revenues of \$20,434,739.
- The District had \$20,348,939 in expenses related to governmental activities; only \$5,254,508 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,180,231 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$16,672,287 in revenues and other financing sources and \$16,270,206 in expenditures and other financing uses. During fiscal 2007, the general fund's fund balance increased \$402,081 from \$2,060,084 to \$2,462,165.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of fiduciary net assets and changes in fiduciary net assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-51 of this report.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2007 and 2006.

| | Net Assets | |
|--|------------------------------------|------------------------------------|
| | Governmental Activities 2007 | Governmental Activities 2006 |
| <u>Assets</u> | | |
| Current and other assets | \$ 10,364,932 | \$ 9,372,750 |
| Capital assets, net | <u>24,495,760</u> | <u>25,406,683</u> |
| Total assets | <u>34,860,692</u> | <u>34,779,433</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 5,695,998 | 5,538,495 |
| Long-term liabilities | <u>5,619,706</u> | <u>5,781,750</u> |
| Total liabilities | <u>11,315,704</u> | <u>11,320,245</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 20,158,561 | 20,971,438 |
| Restricted | 1,505,787 | 1,314,671 |
| Unrestricted | <u>1,880,640</u> | <u>1,173,079</u> |
| Total net assets | <u>\$ 23,544,988</u> | <u>\$ 23,459,188</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$23,544,988. Of this total, \$1,880,640 is unrestricted in use.

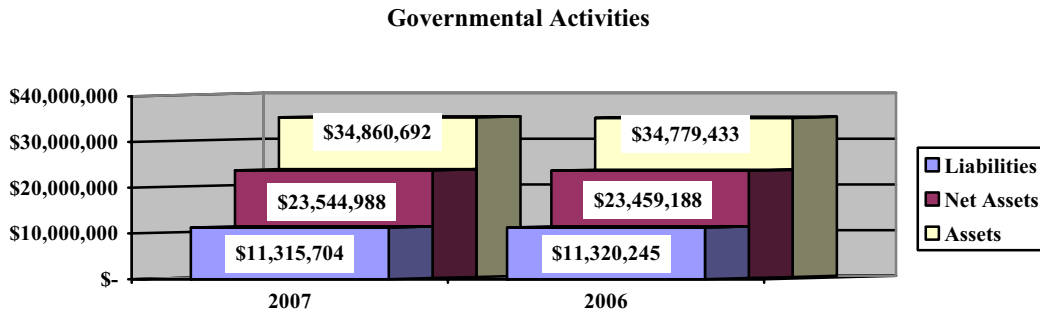
At year-end, capital assets represented 70.27% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$20,158,561. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,505,787, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,880,640 may be used to meet the District's ongoing obligations to the students and creditors.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The graph below shows the District's governmental activities assets, liabilities and net assets as of June 30, 2007 and 2006:



The table below shows the change in net assets for fiscal years 2007 and 2006. Certain revenue amounts have for 2006 have been reclassified to conform to the 2007 presentation.

Change in Net Assets

| | Governmental Activities <u>2007</u> | Restated Governmental Activities <u>2006</u> |
|------------------------------------|---|---|
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,298,159 | \$ 1,319,457 |
| Operating grants and contributions | 3,934,900 | 3,305,527 |
| Capital grants and contributions | 21,449 | 24,960 |
| General revenues: | | |
| Property taxes | 4,147,977 | 4,213,715 |
| Grants and entitlements | 10,657,818 | 10,472,723 |
| Investment earnings | 272,392 | 217,269 |
| Other | 102,044 | 521 |
| Total revenues | <u>\$ 20,434,739</u> | <u>\$ 19,554,172</u> |

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

| | Governmental Activities <u>2007</u> | Restated Governmental Activities <u>2006</u> |
|---|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 9,076,224 | \$ 8,616,895 |
| Special | 2,579,068 | 2,342,128 |
| Vocational | 333,492 | 354,039 |
| Support services: | | |
| Pupil | 845,483 | 798,301 |
| Instructional staff | 1,061,860 | 1,070,140 |
| Board of education | 33,568 | 41,518 |
| Administration | 1,423,594 | 1,476,869 |
| Fiscal | 326,554 | 323,201 |
| Business | 94,193 | 58,669 |
| Operations and maintenance | 1,863,241 | 1,631,941 |
| Pupil transportation | 692,391 | 729,061 |
| Central | 376,490 | 479,622 |
| Operations of non-instructional services: | | |
| Food service operations | 758,655 | 775,694 |
| Other non-instructional services | 61,682 | 55,257 |
| Extracurricular activities | 572,614 | 597,522 |
| Intergovernmental pass through | 73,333 | 82,320 |
| Interest and fiscal charges | <u>176,497</u> | <u>152,188</u> |
| Total expenses | <u>20,348,939</u> | <u>19,585,365</u> |
| Change in net assets | 85,800 | (31,193) |
| Net assets at beginning of year | <u>23,459,188</u> | <u>23,490,381</u> |
| Net assets at end of year | <u>\$ 23,544,988</u> | <u>\$ 23,459,188</u> |

Governmental Activities

Net assets of the District's governmental activities increased \$85,800. Total governmental expenses of \$20,348,939 were offset by program revenues of \$5,254,508 and general revenues of \$15,180,231. Program revenues supported 25.82% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 72.45% of total governmental revenue.

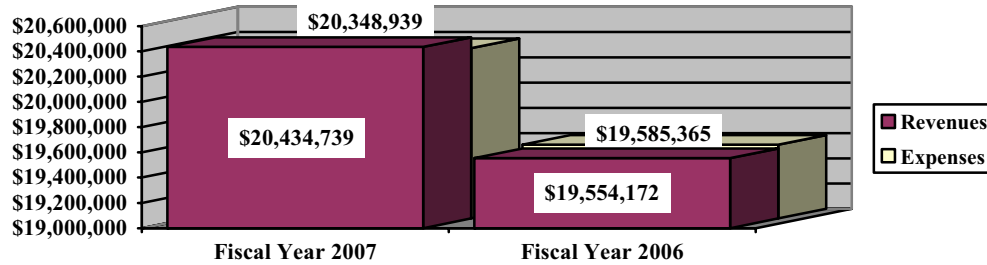
The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,988,784 or 58.92% of total governmental expenses for fiscal 2007.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The net cost of services for special instruction for 2006 have been restated to conform to 2007 presentation.

Governmental Activities

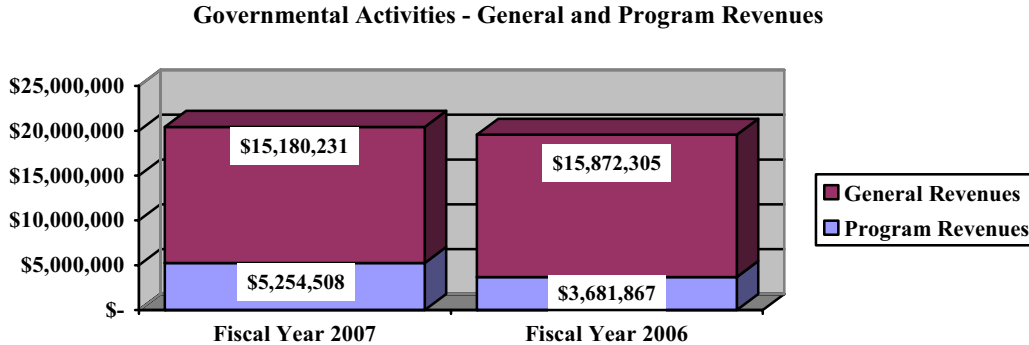
| | Total Cost of Services <u>2007</u> | Net Cost of Services <u>2007</u> | Total Cost of Services <u>2006</u> | Restated Net Cost of Services <u>2006</u> |
|---|--|--|--|--|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 9,076,224 | \$ 7,340,483 | \$ 8,616,895 | \$ 7,337,239 |
| Special | 2,579,068 | 738,184 | 2,342,128 | 592,651 |
| Vocational | 333,492 | 250,776 | 354,039 | 354,039 |
| Support services: | | | | |
| Pupil | 845,483 | 781,844 | 798,301 | 749,278 |
| Instructional staff | 1,061,860 | 819,803 | 1,070,140 | 819,408 |
| Board of education | 33,568 | 33,568 | 41,518 | 41,518 |
| Administration | 1,423,594 | 1,339,716 | 1,476,869 | 1,365,233 |
| Fiscal | 326,554 | 326,554 | 323,201 | 323,201 |
| Business | 94,193 | 94,193 | 58,669 | 58,669 |
| Operations and maintenance | 1,863,241 | 1,851,815 | 1,631,941 | 1,631,941 |
| Pupil transportation | 692,391 | 662,652 | 729,061 | 723,280 |
| Central | 376,490 | 276,808 | 479,622 | 366,790 |
| Operations of non-instructional services: | | | | |
| Food service operations | 758,655 | 89,651 | 775,694 | 121,342 |
| Other non-instructional services | 61,682 | 622 | 55,257 | (1,858) |
| Extracurricular activities | 572,614 | 325,653 | 597,522 | 306,013 |
| Intergovernmental pass through | 73,333 | (14,388) | 82,320 | (5,511) |
| Interest and fiscal charges | 176,497 | 176,497 | 152,188 | 152,188 |
| Total expenses | <u>\$ 20,348,939</u> | <u>\$ 15,094,431</u> | <u>\$ 19,585,365</u> | <u>\$ 14,935,421</u> |

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 69.48% of instruction activities are supported through taxes, grants and entitlements and other general revenues. For all governmental activities, general revenue support is 74.18%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.



The District's Funds

The District's governmental funds (as presented on page 16) reported a combined fund balance of \$3,845,628, which is higher than last year's total of \$3,307,248. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

| | <u>Fund Balance</u> <u>June 30, 2007</u> | <u>Fund Balance</u> <u>June 30, 2006</u> | <u>Increase</u> |
|--------------------|---|---|-------------------|
| General | \$ 2,462,165 | \$ 2,060,084 | \$ 402,081 |
| Other Governmental | <u>1,383,463</u> | <u>1,247,164</u> | <u>136,299</u> |
| Total | <u>\$ 3,845,628</u> | <u>\$ 3,307,248</u> | <u>\$ 538,380</u> |

Fund balance of other governmental funds increased primarily due to increased poverty aid funding.

General Fund

The District's general fund balance increased \$402,081. The increase in fund balance can be attributed to the fact that the District received additional money through Poverty Based Assistance through State of Ohio foundation. The percentage of individuals considered to be poverty based increased to over one percent which triggered the State formula to increase the amount of funding. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

| | 2007 <u>Amount</u> | 2006 <u>Amount</u> | Increase <u>(Decrease)</u> | Percentage <u>Change</u> |
|---|-----------------------|-----------------------|-------------------------------|-----------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 3,672,905 | \$ 3,688,137 | \$ (15,232) | (0.41) % |
| Tuition | 796,826 | 751,203 | 45,623 | 6.07 % |
| Earnings on investments | 260,979 | 208,263 | 52,716 | 25.31 % |
| Intergovernmental | 11,660,709 | 11,329,505 | 331,204 | 2.92 % |
| Other revenues | <u>166,962</u> | <u>113,235</u> | <u>53,727</u> | 47.45 % |
| Total | <u>\$ 16,558,381</u> | <u>\$ 16,090,343</u> | <u>\$ 468,038</u> | 2.91 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 9,700,527 | \$ 9,317,086 | 383,441 | 4.12 % |
| Support services | 6,034,094 | 5,952,932 | 81,162 | 1.36 % |
| Extracurricular activities | 314,978 | 311,037 | 3,941 | 1.27 % |
| Facilities acquisition and construction | 19,715 | 1,600 | 18,115 | 1,132.19 % |
| Capital outlay | 60,081 | 75,240 | (15,159) | (20.15) % |
| Debt service | <u>81,736</u> | <u>31,965</u> | <u>49,771</u> | 155.70 % |
| Total | <u>\$ 16,211,131</u> | <u>\$ 15,689,860</u> | <u>\$ 521,271</u> | 3.32 % |

Revenue increased 2.91% over prior year. Earnings on investments increased due to higher interest rates. Other revenues consist of rental income, contributions and donations, services provided to other entities and miscellaneous receipts. The District collected more of these revenue items in 2007 versus 2006. All other revenues remained comparable to prior year, instruction expenditures increased 4.12% primarily due to normal and customary wage and benefit increases. Items such as facilities acquisition and construction, capital outlay and debt service have variances from the prior year; however, the total expenditures in these categories are not considered material.

General Fund Budgeting Highlights

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

During the course of fiscal 2007, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$15,360,204, which were lower than the original budgeted revenues of \$15,438,979. Actual revenues and other financing sources for fiscal 2007 were \$16,564,794. A portion of this increase is due to advances in of \$266,399. The District is not required to budget for advances because they represent a temporary cash flow resource and are intended to be repaid.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$17,850,340 were the same as in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$17,159,065, which were \$691,275 lower than the final and original budget appropriations.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

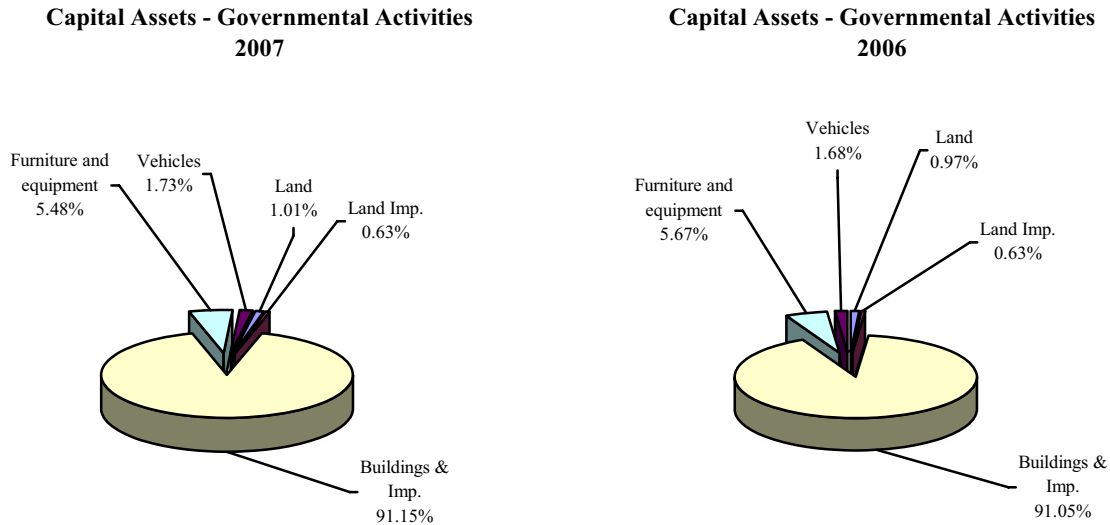
At the end of fiscal 2007, the District had \$24,495,760 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

**Capital Assets at June 30
(Net of Depreciation)**

| | Governmental Activities | |
|---------------------------|-------------------------|----------------------|
| | 2007 | 2006 |
| Land | \$ 247,253 | \$ 247,253 |
| Land improvements | 154,673 | 158,792 |
| Building and improvements | 22,329,879 | 23,133,982 |
| Furniture and equipment | 1,341,395 | 1,440,800 |
| Vehicles | 422,560 | 425,856 |
| Total | \$ 24,495,760 | \$ 25,406,683 |

The overall decrease in capital assets of \$910,923 is primarily due to depreciation expense of \$1,098,252 and loss of \$53,077 on disposals of capital assets exceeding capital outlays of \$240,406 in the fiscal year.

The graphs below present the District's capital assets for fiscal 2007 and fiscal 2006.



See Note 8 to the basic financial statements for additional information on the District's capital assets.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Debt Administration

At June 30, 2007 the District had \$4,110,437 in general obligation bonds (the issue is comprised of current issue bonds and capital appreciation bonds) and \$167,920 in capital lease obligations outstanding. Of this total, \$329,821 is due within one year and \$3,948,536 is due within greater than one year.

The following table summarizes the bonds and capital lease obligations outstanding.

Outstanding Debt, at Year End

| | Governmental Activities <u>2007</u> | Governmental Activities <u>2006</u> |
|----------------------------|---|---|
| Current interest bonds | \$ 3,830,000 | \$ 4,105,000 |
| Capital appreciation bonds | 280,437 | 239,247 |
| Capital lease obligations | <u>167,920</u> | <u>125,657</u> |
| Total | <u>\$ 4,278,357</u> | <u>\$ 4,469,904</u> |

At June 30, 2007 the District's overall legal debt margin was \$8,868,820 (including available funds of \$490,912) and an unvoted debt margin of \$137,917.

See Note 10 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

Due to the commitment of the Board and Administration, the District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the need for additional millage. The general fund cash balance was \$3,915,166 at June 30, 2007.

Several significant legislative and judicial actions have occurred that will have an impact on our District and the current cash balance. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The State has yet to develop, and may not have the ability to fully fund, a constitutional educational system.

HB-66, the budget approved by the State for fiscal years 2006 and 2007, eliminates the Cost of Doing Business (CODB) factor which will reduce the amount of per pupil funding each school will receive. The CODB factor is reduced by half in fiscal year 2007 and completely eliminated in fiscal year 2008. Beginning in tax year 2006, the State will eliminate from the local tax base 25% of the Tangible Personal Property Tax (which represents 70% of the total value of Personal Property) each year until completely gone in fiscal year 2009. The State has made provisions, however, to hold the school district harmless until 2010 and then phased-out from 2011 through 2017 but the preliminary numbers are not showing that to be the case. The State has instituted a new Commercial Activity Tax (CAT) on businesses that will be used to offset this loss and currently it appears this tax is generating the funds to do so.

The District will continue its commitment to operate an effective and efficient educational facility due to the ongoing support and cooperation of the CEA (Claymont Education Association), OAPSE (Ohio Association of Public School Employees), Administration and Board.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Sue Raymond, Treasurer, Claymont City School District, 201 N. 3rd Street, Dennison, Ohio 44621-1278.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2007

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. . . | \$ 5,660,936 |
| Receivables: | |
| Taxes | 4,123,727 |
| Accounts | 4,664 |
| Intergovernmental | 496,109 |
| Accrued interest | 59 |
| Prepayments | 18,492 |
| Materials and supplies inventory | 14,998 |
| Unamortized bond issue costs | 45,947 |
| Capital assets: | |
| Land | 247,253 |
| Depreciable capital assets, net | 24,248,507 |
| Capital assets, net. | 24,495,760 |
| Total assets. | 34,860,692 |
| Liabilities: | |
| Accounts payable. | 231,850 |
| Contracts payable. | 32,680 |
| Accrued wages and benefits | 1,972,305 |
| Pension obligation payable. | 396,668 |
| Intergovernmental payable | 109,012 |
| Unearned revenue | 2,944,354 |
| Accrued interest payable | 9,129 |
| Long-term liabilities: | |
| Due within one year. | 549,314 |
| Due within more than one year | 5,070,392 |
| Total liabilities | 11,315,704 |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 20,158,561 |
| Restricted for: | |
| Capital projects | 265,420 |
| Debt service. | 521,456 |
| Classroom facilities maintenance | 297,656 |
| Locally funded programs | 26,714 |
| State funded programs | 198,946 |
| Federally funded programs | 28,966 |
| Student activities | 59,738 |
| Public school support. | 80,349 |
| Other purposes | 26,542 |
| Unrestricted | 1,880,640 |
| Total net assets | \$ 23,544,988 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|--|----------------------|--------------------------------------|--|--|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 9,076,224 | \$ 862,034 | \$ 871,720 | \$ 1,987 | \$ (7,340,483) |
| Special | 2,579,068 | - | 1,840,884 | - | (738,184) |
| Vocational | 333,492 | - | 82,716 | - | (250,776) |
| Support services: | | | | | |
| Pupil | 845,483 | - | 63,639 | - | (781,844) |
| Instructional staff | 1,061,860 | 990 | 241,067 | - | (819,803) |
| Board of education | 33,568 | - | - | - | (33,568) |
| Administration | 1,423,594 | 24 | 83,854 | - | (1,339,716) |
| Fiscal | 326,554 | - | - | - | (326,554) |
| Business | 94,193 | - | - | - | (94,193) |
| Operations and maintenance | 1,863,241 | 11,426 | - | - | (1,851,815) |
| Pupil transportation | 692,391 | - | 14,385 | 15,354 | (662,652) |
| Central | 376,490 | - | 95,574 | 4,108 | (276,808) |
| Operation of non-instructional services: | | | | | |
| Food service operations | 758,655 | 194,579 | 474,425 | - | (89,651) |
| Other non-instructional services | 61,682 | - | 61,060 | - | (622) |
| Extracurricular activities | 572,614 | 229,106 | 17,855 | - | (325,653) |
| Intergovernmental pass-through | 73,333 | - | 87,721 | - | 14,388 |
| Interest and fiscal charges | 176,497 | - | - | - | (176,497) |
| Total governmental activities | \$ 20,348,939 | \$ 1,298,159 | \$ 3,934,900 | \$ 21,449 | (15,094,431) |
| General Revenues: | | | | | |
| Property taxes levied for: | | | | | |
| General purposes | | | | | 3,664,674 |
| Special revenue | | | | | 65,748 |
| Debt service | | | | | 417,555 |
| Grants and entitlements not restricted to specific programs | | | | | 10,657,818 |
| Investment earnings | | | | | 272,392 |
| Miscellaneous | | | | | 102,044 |
| Total general revenues | | | | | 15,180,231 |
| Change in net assets | | | | | 85,800 |
| Net assets at beginning of year | | | | | 23,459,188 |
| Net assets at end of year | | | | | \$ 23,544,988 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|---|
| Assets: | | | |
| Equity in pooled cash and cash equivalents | \$ 3,894,816 | \$ 1,745,770 | \$ 5,640,586 |
| Receivables: | | | |
| Taxes | 3,641,763 | 481,964 | 4,123,727 |
| Accounts | 101 | 4,563 | 4,664 |
| Intergovernmental | - | 496,109 | 496,109 |
| Accrued interest | 59 | - | 59 |
| Interfund loans | 190,442 | | 190,442 |
| Prepayments | 14,792 | 3,700 | 18,492 |
| Materials and supplies inventory | - | 14,998 | 14,998 |
| Restricted assets: | | | |
| Equity in pooled cash and cash equivalents | <u>20,350</u> | <u>-</u> | <u>20,350</u> |
| Total assets | <u>\$ 7,762,323</u> | <u>\$ 2,747,104</u> | <u>\$ 10,509,427</u> |
| Liabilities: | | | |
| Accounts payable | \$ 134,583 | \$ 97,267 | \$ 231,850 |
| Contracts payable | - | 32,680 | 32,680 |
| Accrued wages and benefits | 1,660,329 | 311,976 | 1,972,305 |
| Compensated absences payable | 126,750 | 1,292 | 128,042 |
| Pension obligation payable | 338,333 | 58,335 | 396,668 |
| Intergovernmental payable | 92,067 | 16,945 | 109,012 |
| Interfund loans payable | - | 190,442 | 190,442 |
| Deferred revenue | 346,686 | 311,760 | 658,446 |
| Unearned revenue | <u>2,601,410</u> | <u>342,944</u> | <u>2,944,354</u> |
| Total liabilities | <u>5,300,158</u> | <u>1,363,641</u> | <u>6,663,799</u> |
| Fund Balances: | | | |
| Reserved for encumbrances | 839,371 | 210,581 | 1,049,952 |
| Reserved for materials and supplies inventory | - | 14,998 | 14,998 |
| Reserved for prepayments | 14,792 | 3,700 | 18,492 |
| Reserved for property tax unavailable for appropriation | 693,667 | 93,066 | 786,733 |
| Reserved for debt service | - | 410,232 | 410,232 |
| Reserved for textbooks | 20,350 | - | 20,350 |
| Unreserved, undesignated, reported in: | | | |
| General fund | 893,985 | - | 893,985 |
| Special revenue funds | - | 385,466 | 385,466 |
| Capital projects funds | <u>-</u> | <u>265,420</u> | <u>265,420</u> |
| Total fund balances | <u>2,462,165</u> | <u>1,383,463</u> | <u>3,845,628</u> |
| Total liabilities and fund balances | <u>\$ 7,762,323</u> | <u>\$ 2,747,104</u> | <u>\$ 10,509,427</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

| | | |
|--|-------------|----------------------|
| Total governmental fund balances | | \$ 3,845,628 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 24,495,760 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Taxes | \$ 392,640 | |
| Intergovernmental revenue | 265,806 | |
| Total | | 658,446 |
| Unamortized deferred charges on refundings are not recognized in the funds | | 388,949 |
| Unamortized premiums on bond issuance are not recognized in the funds. | | (569,587) |
| Unamortized bond issuance costs are not recognized in the funds. | | 45,947 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (9,129) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | (1,032,669) | |
| General obligation bonds payable | (4,110,437) | |
| Capital lease obligation | (167,920) | |
| Total | | (5,311,026) |
| Net assets of governmental activities | | \$ 23,544,988 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|---|---|
| Revenues: | | | |
| From local sources: | | | |
| Taxes | \$ 3,672,905 | \$ 483,824 | \$ 4,156,729 |
| Tuition | 796,826 | - | 796,826 |
| Transportation fees | 9,467 | - | 9,467 |
| Charges for services. | - | 194,579 | 194,579 |
| Earnings on investments. | 260,979 | 11,968 | 272,947 |
| Extracurricular. | - | 212,929 | 212,929 |
| Classroom materials and fees | 53,682 | 2,059 | 55,741 |
| Other local revenues. | 7,843 | 52,600 | 60,443 |
| Other revenue | 95,970 | - | 95,970 |
| Intergovernmental - State. | 11,638,624 | 839,911 | 12,478,535 |
| Intergovernmental - Federal | 22,085 | 1,831,434 | 1,853,519 |
| Total revenue | <u>16,558,381</u> | <u>3,629,304</u> | <u>20,187,685</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 7,684,435 | 634,910 | 8,319,345 |
| Special. | 1,669,327 | 838,168 | 2,507,495 |
| Vocational. | 346,765 | - | 346,765 |
| Support services: | | | |
| Pupil. | 755,965 | 60,971 | 816,936 |
| Instructional staff | 829,904 | 222,976 | 1,052,880 |
| Board of education | 33,568 | - | 33,568 |
| Administration. | 1,318,655 | 80,677 | 1,399,332 |
| Fiscal | 315,743 | 9,422 | 325,165 |
| Business | 48,247 | - | 48,247 |
| Operations and maintenance. | 1,707,403 | 116,157 | 1,823,560 |
| Pupil transportation | 727,693 | 249 | 727,942 |
| Central. | 296,916 | 104,802 | 401,718 |
| Operation of non-instructional services: | | | |
| Food service operations | - | 703,318 | 703,318 |
| Other non-instructional services | - | 60,056 | 60,056 |
| Extracurricular activities. | 314,978 | 235,358 | 550,336 |
| Intergovernmental pass-through | - | 73,333 | 73,333 |
| Facilities acquisition and construction | 19,715 | 560 | 20,275 |
| Capital outlay | 60,081 | - | 60,081 |
| Debt service: | | | |
| Principal retirement | 71,643 | 275,000 | 346,643 |
| Interest and fiscal charges | 10,093 | 135,213 | 145,306 |
| Total expenditures | <u>16,211,131</u> | <u>3,551,170</u> | <u>19,762,301</u> |
| Excess of revenues over expenditures | <u>347,250</u> | <u>78,134</u> | <u>425,384</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 59,075 | 59,075 |
| Transfers (out). | (59,075) | - | (59,075) |
| Capital lease transaction. | 113,906 | - | 113,906 |
| Total other financing sources (uses) | <u>54,831</u> | <u>59,075</u> | <u>113,906</u> |
| Net change in fund balances | 402,081 | 137,209 | 539,290 |
| Fund balances at beginning of year. | 2,060,084 | 1,247,164 | 3,307,248 |
| Decrease in reserve for inventory | - | (910) | (910) |
| Fund balances at end of year | <u>\$ 2,462,165</u> | <u>\$ 1,383,463</u> | <u>\$ 3,845,628</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds \$ 539,290

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

| | | | |
|---------------------------|----|-------------|-----------|
| Capital asset additions | \$ | 240,406 | |
| Current year depreciation | | (1,098,252) | |
| <hr/> | | | |
| Total | | | (857,846) |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (53,077)

In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:

| | | | |
|---|--|----------|----------|
| Decrease in accrued interest payable | | 656 | |
| Accreted interest on "capital appreciation" bonds | | (41,190) | |
| Amortization of bond issue costs | | (3,187) | |
| Amortization of bond premiums | | 39,509 | |
| Amortization of deferred charges on refundings | | (26,979) | |
| <hr/> | | | |
| Total | | | (31,191) |

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. (910)

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

| | | | |
|-------------------|--|---------|---------|
| Taxes | | (8,752) | |
| Intergovernmental | | 255,806 | |
| <hr/> | | | |
| Total | | | 247,054 |

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 346,643

Proceeds of capital leases are recorded as an other financing source in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (113,906)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 9,743

Change in net assets of governmental activities \$ 85,800

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|----------------------------|----------------------------|----------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 3,208,596 | \$ 3,192,225 | \$ 3,408,340 | \$ 216,115 |
| Tuition | 738,769 | 735,000 | 796,826 | 61,826 |
| Transportation fees | 5,529 | 5,500 | 9,737 | 4,237 |
| Earnings on investments | 206,532 | 205,479 | 260,990 | 55,511 |
| Classroom materials and fees | 47,241 | 47,000 | 53,682 | 6,682 |
| Other local revenues | 20,103 | 20,000 | 8,656 | (11,344) |
| Other revenue | 45,231 | 45,000 | 95,970 | 50,970 |
| Intergovernmental - State | 11,151,901 | 11,095,000 | 11,638,624 | 543,624 |
| Intergovernmental - Federal | 15,077 | 15,000 | 22,085 | 7,085 |
| Total revenue | <u>15,438,979</u> | <u>15,360,204</u> | <u>16,294,910</u> | <u>934,706</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 7,911,644 | 7,847,569 | 7,831,148 | 16,421 |
| Special | 1,779,014 | 1,809,014 | 1,806,614 | 2,400 |
| Vocational | 422,359 | 422,359 | 340,128 | 82,231 |
| Other | 35,000 | 5,000 | - | 5,000 |
| Support services: | | | | |
| Pupil | 794,739 | 794,739 | 773,136 | 21,603 |
| Instructional staff | 911,731 | 911,731 | 855,525 | 56,206 |
| Board of education | 54,403 | 54,403 | 38,869 | 15,534 |
| Administration | 1,633,364 | 1,615,364 | 1,387,392 | 227,972 |
| Fiscal | 406,975 | 398,975 | 337,007 | 61,968 |
| Business | 171,760 | 171,760 | 66,172 | 105,588 |
| Operations and maintenance | 1,882,766 | 1,935,766 | 1,919,726 | 16,040 |
| Pupil transportation | 948,457 | 898,457 | 765,337 | 133,120 |
| Central | 507,730 | 492,730 | 373,556 | 119,174 |
| Extracurricular activities | 336,548 | 336,548 | 314,342 | 22,206 |
| Facilities acquisition and construction | 51,850 | 94,850 | 94,715 | 135 |
| Total expenditures | <u>17,848,340</u> | <u>17,789,265</u> | <u>16,903,667</u> | <u>885,598</u> |
| Excess of revenues under expenditures | <u>(2,409,361)</u> | <u>(2,429,061)</u> | <u>(608,757)</u> | <u>1,820,304</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year expenditure | - | - | 2,374 | 2,374 |
| Refund of prior year receipt | (2,000) | (2,000) | (880) | 1,120 |
| Transfers (out) | - | (59,075) | (59,075) | - |
| Advances in | - | - | 266,399 | 266,399 |
| Advances (out) | - | - | (195,443) | (195,443) |
| Sale of capital assets | - | - | 1,111 | 1,111 |
| Total other financing sources (uses) | <u>(2,000)</u> | <u>(61,075)</u> | <u>14,486</u> | <u>75,561</u> |
| Net change in fund balance | (2,411,361) | (2,490,136) | (594,271) | 1,895,865 |
| Fund balance at beginning of year | 2,784,141 | 2,784,141 | 2,784,141 | - |
| Prior year encumbrances appropriated | 750,116 | 750,116 | 750,116 | - |
| Fund balance at end of year | <u>\$ 1,122,896</u> | <u>\$ 1,044,121</u> | <u>\$ 2,939,986</u> | <u>\$ 1,895,865</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

| | Private-Purpose Trust | |
|---|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and cash equivalents | \$ 7,256 | \$ 32,087 |
| Receivables: | | |
| Accounts | - | 80 |
| Total assets. | 7,256 | \$ 32,167 |
| Liabilities: | | |
| Accounts payable. | - | \$ 913 |
| Intergovernmental payable | - | 400 |
| Due to students | - | 30,854 |
| Total liabilities | - | \$ 32,167 |
| Net Assets: | | |
| Held in trust for scholarships | \$ 7,256 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | Private-Purpose Trust | |
|---|----------------------------------|--------------|
| | Scholarship | |
| Additions: | | |
| Interest | \$ | 378 |
| Gifts and contributions. | | 500 |
| | | 878 |
| Total additions. | | 878 |
| Change in net assets | | 878 |
| Net assets at beginning of year. | | 6,378 |
| Net assets at end of year | \$ | 7,256 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Claymont City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District ranks as the 243rd largest by total enrollment among 876 public and community school districts in the State. The District is located within the City of Uhrichsville and the Village of Dennison, Ohio. It operates under a locally-elected five-member board and provides educational services as authorized and mandated by state and federal agencies. The Board controls the District's six instructional support facilities staffed by 93 classified employees and 174 certificated teaching personnel, and 13 administrators, who provide services to 2,164 students. The District operates three elementary schools, a 5th - 6th grade intermediate school, a 7th - 8th grade junior high, one 9th - 12th high school and one garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

City of Uhrichsville and the Village of Dennison

The City of Uhrichsville and the Village of Dennison are separate bodies politic and corporate. A mayor and council are elected independent of any District relationships, and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for the City and for the Village.

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School District (JVSD)

The JVSD is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The JVSD's Board of Education is comprised of representatives from the Board of each participating school district. The JVSD's Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District's students may attend the JVSD. Each school district's control is limited to its representation on the JVSD's Board. During fiscal year 2007, no monies were paid to the JVSD by the District.

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)

OME-RESA is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

The OME-RESA is one of 23 regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by 49 member school districts in 10 different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tuscarawas County Tax Incentive Review Council (TCTIRC)

The TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to state statutes. TCTIRC has 22 members, consisting of 3 members appointed by the County Commissioners, 4 members appointed by municipal corporations, 6 members appointed by township trustees, 1 member from the county auditor's office and 8 members appointed by boards of education located within the County. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TRTIRC is not dependent on the District's continued participation and no equity interest exists.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Stark County Schools Council of Governments

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool, with participants from Stark, Summit and Portage Counties. The consortium is governed by an assembly, which consists of one representative from each participating District (usually the superintendent or designee). The assembly elects officers for two-year terms to serve on the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to Stark County Educational Service Center, 2100 38th Street, Canton, Ohio 44709.

RELATED ORGANIZATION

Claymont Public Library

The Claymont Public Library is a related organization to the District. The School Board members are responsible for appointing the trustees of the Public Library; however, the School Board cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax relief related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determines its own budget. Financial information can be obtained from the Claymont Public Library, 215 E. 3rd Street, Uhrichsville, Ohio 44683.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

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

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

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 has been established by the Board of Education at the function level of expenditures for the general fund and the fund level of expenditures for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

TAX BUDGET

On July 25, 2002, the Tuscarawas County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by May 1. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenues and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds

ESTIMATED RESOURCES

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 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 District. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificate issued during fiscal year 2007.

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 must be legally enacted by the Board of Education at the function level of expenditures for the general fund and at the fund level of expenditures for all other funds, which is the legal level of budgetary control. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution 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 appropriations at the legal level of control must be approved by the Board of Education. The District maintains budgetary information at the object level and has the authority to allocate appropriations at the object level in the general fund and function and object level in all other funds without resolution by the Board of Education.

The Board of Education 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. Supplemental appropriations were legally enacted by the Board during fiscal year 2007.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The budget figures, which appear in the statement of budgetary comparisons, represent the original and 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.

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 re-appropriated.

F. Cash and Investments

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

During fiscal year 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). 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, 2007.

Under existing Ohio statute, the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$260,979, which includes \$74,171 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

Inventory consists of donated food and purchased food.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

General capital assets are those related to government activities. These 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 for its general capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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 improvements | 25 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 6 - 10 years |

I. Interfund Balances

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

J. Compensated Absences

GASB Statement No. 16, "Accounting for Compensated Absences", specifies the method used to accrue liabilities for leave benefits. 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 District will compensate the employees for the benefits through paid time off or some other means. The 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 that is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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 during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Unamortized Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10. A.

M. Fund Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, tax advance unavailable for appropriation, debt service, and textbooks/instructional materials. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes include amounts restricted by State statute for textbooks/instructional materials and amount restricted for educational foundation expenditures.

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook/instructional materials reserve. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 17.

Q. Estimates

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

R. Interfund Activity

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. Parochial and Private Schools

Within the District boundaries, the Immaculate Conception School and Rush Christian School is operated through the Columbus Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in a nonmajor governmental fund for financial reporting purposes.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2007.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

| <u>Nonmajor Funds</u> | <u>Deficit</u> |
|----------------------------|----------------|
| Food Service | \$ 37,407 |
| Ohio Reads | 8,305 |
| Miscellaneous State Grants | 19,536 |
| Job Training Partnership | 7,385 |
| Title I | 23,551 |
| Improving Teacher Quality | 1,102 |
| Kindergarten Jump-Start | 27 |

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

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 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 of Education 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.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Interim monies are 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 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 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 items (1) and (2) above 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);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date 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, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of 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.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At year-end, the District had \$100 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$1,267,962. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$1,177,073 of the District's bank balance of \$1,377,073 was exposed to custodial risk as discussed below, while \$200,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

As of June 30, 2007, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment Maturities</u> 6 months or less |
|------------------------|-------------------|---|
| STAR Ohio | \$ 4,432,216 | \$ 4,432,216 |

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in STAR Ohio were rated an AAAM money market rating by Standard & Poor's.

**CLAYMONT CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% to Total</u> |
|------------------------|-------------------|-------------------|
| STAR Ohio | \$ 4,432,216 | 100.00 |

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

| <u>Cash and Investments per footnote</u> | |
|---|---------------------|
| Carrying amount of deposits | \$ 1,267,963 |
| Investments | 4,432,216 |
| Cash on hand | <u>100</u> |
| Total | <u>\$ 5,700,279</u> |
| <u>Cash and investments per Statement of Net Assets</u> | |
| Governmental activities | \$ 5,660,936 |
| Private-purpose trust fund | 7,256 |
| Agency fund | <u>32,087</u> |
| Total | <u>\$ 5,700,279</u> |

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

| <u>Transfers to Nonmajor Governmental funds from:</u> | <u>Amount</u> |
|---|---------------|
| General Fund | \$ 59,075 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers made in fiscal year 2007 were in accordance with Ohio Revised Code Section 5705.14, 5705.15 and 5705.16.

**CLAYMONT CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. Interfund Balances

Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General | Nonmajor governmental funds | \$ 190,442 |

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County Auditors by June 30, 2007, are available to finance fiscal year 2007 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2007 was \$693,667 in the general fund, \$12,386 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$80,680 in the debt service fund (a nonmajor governmental fund). These amounts have been recorded as revenue. The amount available as an advance at June 30, 2006 was \$429,102 in the general fund, \$7,722 in the classroom facilities maintenance (a nonmajor governmental fund), and \$50,217 in the debt service fund (a nonmajor governmental fund).

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

| | 2006 Second Half Collections | | 2007 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/Residential and Other Real Estate | \$ 126,564,890 | 78.98 | \$ 128,477,940 | 82.28 |
| Public Utility Personal | 10,307,040 | 6.43 | 10,495,440 | 6.72 |
| Tangible Personal Property | <u>23,386,314</u> | <u>14.59</u> | <u>17,177,157</u> | <u>11.00</u> |
| Total | <u>\$ 160,258,244</u> | <u>100.00</u> | <u>\$ 156,150,537</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$30.95 | | \$31.05 | |

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities

| | |
|-------------------|-------------------------|
| Taxes | \$ 4,123,727 |
| Accounts | 4,664 |
| Intergovernmental | 496,109 |
| Accrued interest | <u>59</u> |
| Total | <u>\$ 4,624,559</u> |

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

| | <u>Balance 06/30/06</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance 06/30/07</u> |
|---|-----------------------------|---------------------|--------------------|-----------------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 247,253 | \$ - | \$ - | \$ 247,253 |
| Total capital assets, not being depreciated | <u>247,253</u> | <u>-</u> | <u>-</u> | <u>247,253</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 416,063 | 16,850 | | 432,913 |
| Buildings and improvements | 30,571,211 | - | - | 30,571,211 |
| Furniture and equipment | 3,953,036 | 156,315 | (106,158) | 4,003,193 |
| Vehicles | <u>1,274,334</u> | <u>67,241</u> | <u>(37,160)</u> | <u>1,304,415</u> |
| Total capital assets, being depreciated | <u>36,214,644</u> | <u>240,406</u> | <u>(143,318)</u> | <u>36,311,732</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Land improvements | (257,271) | (20,969) | - | (278,240) |
| Buildings and improvements | (7,437,229) | (804,103) | - | (8,241,332) |
| Furniture and equipment | (2,512,236) | (202,643) | 53,081 | (2,661,798) |
| Vehicles | <u>(848,478)</u> | <u>(70,537)</u> | <u>37,160</u> | <u>(881,855)</u> |
| Total accumulated depreciation | <u>(11,055,214)</u> | <u>(1,098,252)</u> | <u>90,241</u> | <u>(12,063,225)</u> |
| Governmental activities capital assets, net | <u>\$ 25,406,683</u> | <u>\$ (857,846)</u> | <u>\$ (53,077)</u> | <u>\$ 24,495,760</u> |

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|---------------------|
| <u>Instruction:</u> | |
| Regular | \$ 774,596 |
| Special | 50,408 |
| Vocational | 17,736 |
| <u>Support Services:</u> | |
| Pupil | 5,552 |
| Instructional staff | 19,533 |
| Administration | 27,708 |
| Business | 8,304 |
| Operations and maintenance | 30,608 |
| Pupil transportation | 67,085 |
| Central | 10,307 |
| Extracurricular activities | 30,469 |
| Food service operations | <u>55,946</u> |
| Total depreciation expense | <u>\$ 1,098,252</u> |

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

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

The total principal amount of the leases at June 30, 2007, is \$167,920. However, only thirteen of the leases have met the District's capitalization threshold. Capital assets consisting of copier equipment have been capitalized in the amount of \$189,146. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2007 was \$33,960, leaving a current book value of \$155,186. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$71,643 paid by the general fund.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of June 30, 2007:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2008 | \$ 46,734 |
| 2009 | 46,517 |
| 2010 | 46,212 |
| 2011 | 40,221 |
| 2012 | <u>18,824</u> |
| Total minimum lease payments | 198,508 |
| Less: amount representing interest | <u>(30,588)</u> |
| Total | <u>\$ 167,920</u> |

NOTE 10 - LONG-TERM OBLIGATIONS

A. The District's long-term obligations activity during the fiscal year 2007 consisted of the following:

| | Balance Outstanding <u>06/30/06</u> | <u>Additions</u> | <u>Reductions</u> | Balance Outstanding <u>06/30/07</u> | Amounts Due in <u>One Year</u> |
|-------------------------------------|---|-------------------|---------------------|---|--------------------------------------|
| Capital lease obligation | \$ 125,657 | \$ 113,906 | \$ (71,643) | \$ 167,920 | \$ 34,821 |
| General obligation bonds - 2006 | 4,344,247 | 41,190 | (275,000) | 4,110,437 | 295,000 |
| Compensated absences | <u>1,118,678</u> | <u>209,503</u> | <u>(167,470)</u> | <u>1,160,711</u> | <u>219,493</u> |
| Total governmental activities | <u>\$ 5,588,582</u> | <u>\$ 364,599</u> | <u>\$ (514,113)</u> | \$ 5,439,068 | <u>\$ 549,314</u> |
| Less: deferred charges on refunding | | | | (388,949) | |
| Add: unamortized premium | | | | <u>569,587</u> | |
| Total on statement of net assets | | | | <u>\$ 5,619,706</u> | |

Compensated absences will be paid from the general fund, food service fund (a nonmajor governmental fund) auxiliary services fund (a nonmajor governmental fund), poverty aid fund (a nonmajor governmental fund), Title VI-B fund (a nonmajor governmental fund), Title I fund (a nonmajor governmental fund) and the improving teacher quality fund (a nonmajor governmental fund).

Capital lease obligations will be paid from the general fund (see Note 9).

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- B.** On July 5, 2006, the District issued general obligation bonds to advance refund the Series 1997 current interest and capital appreciation bonds. The issuance proceeds of \$4,534,588 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$4,330,000, and capital appreciation bonds, par value \$204,588. The capital appreciation bonds mature between 2016 and December 1, 2019 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,585,000. Total accreted interest of \$75,849 has been included in the statement of activities.

The following is a schedule of activity for fiscal 2007 on the 2006 series refunding bonds:

| | Balance 06/30/06 | Additions | Reductions | Balance 06/30/07 |
|--|---------------------|------------------|---------------------|---------------------|
| Current interest bonds | \$ 4,105,000 | \$ - | \$ (275,000) | \$ 3,830,000 |
| Capital appreciation bonds | 204,588 | - | - | 204,588 |
| Accreted interest on capital appreciation bonds | 34,659 | 41,190 | - | 75,849 |
| Total refunding bonds | \$ 4,344,247 | \$ 41,190 | \$ (275,000) | \$ 4,110,437 |

The following is a summary of the future debt service requirements to maturity for the 2006 series refunding bonds:

| Year Ended | Current Interest Bonds | | | Capital Appreciation Bonds | | |
|--------------|------------------------|-------------------|---------------------|----------------------------|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2008 | \$ 295,000 | \$ 127,031 | \$ 422,031 | \$ - | \$ - | \$ - |
| 2009 | 300,000 | 118,475 | 418,475 | - | - | - |
| 2010 | 310,000 | 109,325 | 419,325 | - | - | - |
| 2011 | 325,000 | 99,638 | 424,638 | - | - | - |
| 2012 | 335,000 | 89,240 | 424,240 | - | - | - |
| 2013 - 2017 | 1,455,000 | 272,758 | 1,727,758 | 63,800 | 331,200 | 395,000 |
| 2018 - 2022 | 810,000 | 156,683 | 966,683 | 140,788 | 1,049,212 | 1,190,000 |
| | | | | | | - |
| Total | \$ 3,830,000 | \$ 973,150 | \$ 4,803,150 | \$ 204,588 | \$ 1,380,412 | \$ 1,585,000 |

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$8,868,820 (including available funds of \$490,912) and an unvoted debt margin of \$137,917.

NOTE 11 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified and twelve-month administrative 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 upon termination of employment. Teachers and other administrators 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 245 days for all employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 168 days, plus ten (10%) percent of the remaining sick leave accumulation, up to a maximum of 50 days total, to classified employees. Certified employees receive one-fourth of their total sick leave accumulation, up to a maximum of 50 days. Compensated absences will be paid from the fund from which the employee is paid.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the District contracted Donald Kennedy, agent for Indiana Insurance Company, with coverages provided by The Netherlands Insurance Company and Mid America Fire & Casualty for property insurance, boiler and machinery, inland marine coverage, fleet insurance and general liability coverage. Coverages under these policies are as follows:

| | |
|--|--------------|
| Building and Contents (\$2,500 deductible) | \$72,455,632 |
| Blanket Computer Coverage (\$500 deductible) | 2,613,829 |
| Audio/Visual Equipment Coverage (\$500 deductible) | 729,008 |
| Fiber Optic Lines (\$500 deductible) | 269,971 |
| Musical Instruments (\$500 deductible) | 245,905 |
| Public Employee Dishonesty-Westfield Co. (Romig Ins.) | 2,500 |
| Automobile Liability (\$100 deductible-comprehensive) (\$500 deductible-collision) – | 1,000,000 |

**CLAYMONT CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 12 - RISK MANAGEMENT - (Continued)

| | |
|---|-----------|
| School Leaders Errors and Omissions Liability (\$2,500 deductible): | |
| Wrongful act | 1,000,000 |
| Aggregate limit | 1,000,000 |
| Sexual Misconduct and Molestation Liability: | |
| Each loss | 1,000,000 |
| Aggregate limit | 1,000,000 |
| General Liability: | |
| Per occurrence | 1,000,000 |
| Aggregate per year | 2,000,000 |
| Employee Benefits Liability (\$1,000 deductible) | |
| Each loss | 1,000,000 |
| Aggregate limit | 3,000,000 |
| Employers Stop Gap Liability | |
| Each Accident | 1,000,000 |
| Aggregate limit | 2,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in coverage from the prior year.

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through Standard Life Insurance Company.

C. Medical, Dental and Vision Insurance

The District participates in the Stark County Schools Council of Governments Health Benefit Plan, a risk sharing pool to provide medical/surgical benefits for employees. The plan provides a medical/surgical plan with a \$200 family and \$100 single deductible. Co-insurance pays 80% of usual, customary and reasonable charges with yearly maximum out-of-pocket expenses of \$500 per individual or \$1,000 for two or more family members. The Stark County Schools Council has selected Mutual Health Services to provide third party administrative services in claims processing. Employees may elect to choose from two Preferred Provider Organizations (PPO) to increase the co-insurance from 80% to 90%. The provider organizations are: Aultcare and Super Med. A preferred provider drug program is also included in the insurance program. The employee pays a 20% co-payment to the provider and the remaining 80% is directly billed to the insurance company. Caremark serves as the preferred provider for the drug program. During fiscal year 2007, the District paid \$863 for certified and \$883 for classified family plans or \$353 for certified and \$364 for classified individual coverage per month to the Stark County Board of Education who serves as the fiscal agent for the Health Benefits Plan. The premium is paid by the fund that pays the salary for the employee and is based on a rate determined by an actuary for the Health Benefits Plan.

The District also provides dental and vision benefits, which are administered by the Health Benefits Plan. Mutual Health Services serves as the third party administrator to provide claims processing services these plans. During fiscal year 2007, the premium for dental coverage was \$114 monthly for family coverage and \$46 for individual coverage. During fiscal year 2007, the premium for vision coverage was \$24 for family coverage and \$10 for individual coverage. The premiums for these coverages are also paid into the insurance pool.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 12 - RISK MANAGEMENT - (Continued)

D. Workers' Compensation

For fiscal year 2007, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the 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 of the GRP. A participant is required to pay a membership fee. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$218,866, \$237,875, and \$209,529, respectively; 48.83 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$111,984 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

The 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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,136,290, \$1,103,197 and \$1,072,026, respectively; 82.95 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$193,700 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$2,561 made by the District and \$18,195 made by plan members.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 13 - PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$87,407 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS had 119,184 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$108,771 to fund health care benefits, including the surcharge.

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 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and
- (d) Advance-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

| Net Change in Fund Balance | <u>General Fund</u> |
|---|---------------------|
| Budget basis | \$ (594,271) |
| Net adjustment for revenue accruals | 263,471 |
| Net adjustment for expenditure accruals | (282,644) |
| Net adjustment for other sources/uses | 40,345 |
| Adjustment for encumbrances | <u>975,180</u> |
| GAAP basis | <u>\$ 402,081</u> |

NOTE 16 - CONTINGENCIES

A. Grants

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

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

The District is party to legal proceedings. The District management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

| | Textbooks/ Instructional Materials | Capital Acquisition |
|--|--|------------------------|
| Set-aside cash balance as of June 30, 2006 | \$ (95,172) | \$ - |
| Current year set-aside requirement | 287,961 | 287,961 |
| Current year offsets | - | (71,082) |
| Qualifying disbursements | <u>(172,439)</u> | <u>(259,834)</u> |
| Total | <u>\$ 20,350</u> | <u>\$ (42,955)</u> |

The District did not have enough qualifying disbursements to reduce the set-aside amount below zero for the textbooks/instructional materials due to budget constraints.

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

A schedule of the restricted assets at June 30, 2007 follows:

| | |
|---|-----------|
| Amount restricted for textbooks/instructional materials | \$ 20,350 |
|---|-----------|

NOTE 18 - CONTRACTUAL COMMITMENTS

As of June 30, 2007, the District had the following contractual commitments outstanding related repairs of the track, the tower, and the junior high bleachers. A summary of the primary contractual commitments follows:

| <u>Contractor</u> | <u>Contract Amount</u> | <u>Amount Paid Through June 30, 2007</u> | <u>Remaining Contract Amount</u> |
|-------------------------|----------------------------|--|--|
| Heiberger Paving | \$ 45,751 | \$ - | \$ 45,751 |
| Ameriseal & Restoration | 32,680 | - | 32,680 |
| Custom Fabricators | <u>57,893</u> | <u>-</u> | <u>57,893</u> |
| Total | <u>\$ 136,324</u> | <u>\$ -</u> | <u>\$ 136,324</u> |

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

| Federal Grantor/ Passed Through Grantor/ Program Title | Pass Through Grantor Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---|-----------------------------------|---------------------------|--------------------|----------------------|--------------------|--------------------------|
| <u>U.S. Department of Agriculture</u> | | | | | | |
| <i>(Passed through the State Department of Education)</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| National School Breakfast Program | N/A | 10.553 | \$81,073 | \$0 | \$81,073 | \$0 |
| National School Lunch Program | N/A | 10.555 | 297,400 | 0 | 297,400 | 0 |
| Total Nutrition Cluster | | | 378,473 | 0 | 378,473 | 0 |
| Food Distribution Program | N/A | 10.550 | 0 | 35,101 | 0 | 36,935 |
| Total U.S. Department of Agriculture | | | 378,473 | 35,101 | 378,473 | 36,935 |
| <u>U.S. Department of Labor</u> | | | | | | |
| <i>(Passed Through Ohio Workforce Initiative Association)</i> | | | | | | |
| Workforce Initiative | 2006 2007 | 17.998 | 15,479 8,446 | 0 0 | 13,442 10,700 | 0 0 |
| Total U.S. Department of Labor | | | 23,925 | 0 | 24,142 | 0 |
| <u>U.S. Department of Education</u> | | | | | | |
| <i>(Passed Through the State Department of Education)</i> | | | | | | |
| Title I Grants to Local Educational Agencies | C1-S1 2006 C1-S1 2007 | 84.010 | 57,063 505,634 | 0 0 | 121,849 488,171 | 0 0 |
| Total Title I Grants to Local Educational Agencies | | | 562,697 | 0 | 610,020 | 0 |
| Special Education Grants to States | 6B-SF 2006 6B-SF 2007 | 84.027 | 37,684 553,198 | 0 0 | 124,683 525,522 | 0 0 |
| Total Special Education Grants to States | | | 590,882 | 0 | 650,205 | 0 |
| Safe and Drug Free Schools and Community State Grant | DR-S1 2006 DR-S1 2007 | 84.186 | 276 8,736 | 0 0 | 2,998 6,960 | 0 0 |
| Total Safe and Drug Free Schools and Community State Grant | | | 9,012 | 0 | 9,958 | 0 |
| Innovative Educational Program Strategies | C2-S1-2006 C2-S1-2007 | 84.298 | 0 6,193 | 0 0 | 1,661 7,306 | 0 0 |
| Total Innovative Education Program Strategies | | | 6,193 | 0 | 8,967 | 0 |
| Technology Literacy Challenge Funds Grants | TJ-S1-2006 TJ-S1-2007 | 84.318 | 4,171 11,345 | 0 0 | 5,592 11,294 | 0 0 |
| Total Technology Literacy Challenge Funds Grants | | | 15,516 | 0 | 16,886 | 0 |
| Title II-A Improving Teacher Quality State Grants | TR-S1-2006 TR-S1-2007 | 84.367 | 24,982 125,364 | 0 0 | 43,329 118,543 | 0 0 |
| Total Title II-A Improving Teacher Quality State Grants | | | 150,346 | 0 | 161,872 | 0 |
| Total U.S. Department of Education | | | 1,334,646 | 0 | 1,457,908 | 0 |
| <u>U.S. Department of Health and Human Services</u> | | | | | | |
| <i>(Passed Through Ohio Department of Mental Retardation and Developmental Disabilities)</i> | | | | | | |
| Medicaid Assistance Program | | 93.778 | 6,822 | 0 | 0 | 0 |
| <i>(Passed Through Ohio Dept of Job and Family Services and Granted from the Tuscarawas County Job and Family Services)</i> | | | | | | |
| Temporary Assistance to Needy Families | | 93.558 | 6,124 | 0 | 6,125 | 0 |
| Total | | | \$1,749,990 | \$35,101 | \$1,866,648 | \$36,935 |

See Accompanying Notes to the Federal Awards Receipts and Expenditures Schedule.

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DONATION DISTRIBUTION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE C - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Mary Taylor, CPA

Auditor of State

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

Claymont City School District
Tuscarawas County
201 North Third Street
Dennison, Ohio 44621

To the Board of Education:

We have audited the financial statements of the governmental activities, the major General Fund and the aggregate remaining fund information of the Claymont City School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2008. 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 opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

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

In a separate letter to the District's management dated January 7, 2008, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*.

In a separate letter to the District's management dated January 7, 2008, we reported another matter related to noncompliance we deemed immaterial.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 7, 2008



Mary Taylor, CPA

Auditor of State

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

Claymont City School District
Tuscarawas County
201 North Third Street
Dennison, Ohio 44621

To the Board of Education:

Compliance

We have audited the compliance of the Claymont City School District, Tuscarawas 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 apply to its major federal programs for the year ended June 30, 2007. 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 express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the Claymont City School District, Tuscarawas County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2007.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

January 7, 2008

**CLAYMONT CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

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 other 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 other 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? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Special Education Grants CFDA #84.027 and Nutrition Cluster CFDA #10.555 and 10.553 |
| <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? | Yes |

**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.



Mary Taylor, CPA
Auditor of State

CLAYMONT CITY SCHOOL DISTRICT

TUSCARAWAS 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
FEBRUARY 5, 2008**