

Clay Local School District
Scioto County, Ohio

Single Audit

July 1, 2009 through June 30, 2010
Fiscal Year Audited Under GAGAS: 2010



Balestra, Harr & Scherer, CPAs, Inc.

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Clay Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 10, 2011

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Clay Local School District
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Independent Auditor's Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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.

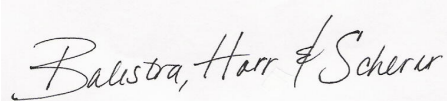
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clay Local School District, Scioto County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of the Board
Clay Local School District
Independent Auditor's Report
Page 2

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 School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected 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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
December 22, 2010

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

As management of the Clay Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- Net Assets of governmental activities increase \$1,082,611. The increase was primarily due to a significant increase in Capital Assets which was due to for the construction of the new facility.
- General Revenues accounted for \$5,695,023. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,321,259 of total revenues of \$8,016,282.
- The School District had \$6,933,671 in expenses related to governmental activities; only \$2,321,259 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General Revenues (primarily grants, entitlements and property taxes) of \$5,695,023 were not adequate to provide for these programs.

Using the Basic Financial Statements

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other nonmajor funds presented in total in one column. The major funds for the Clay Local School District are the General Fund and the Ohio School Facilities Construction Project Capital Projects Fund.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2010?”

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal years 2010 and 2009:

(Table 1)
Net Assets

	Governmental Activities		Increase/ (Decrease)
	2010	2009	
Assets			
Current Assets	\$24,857,027	\$25,629,752	(\$772,725)
Capital Assets, Net	4,227,434	1,596,334	2,631,100
Total Assets	<u>29,084,461</u>	<u>27,226,086</u>	1,858,375
Liabilities			
Other Liabilities	2,681,433	1,827,888	853,545
Long-Term Liabilities	6,008,972	6,086,753	(77,781)
Total Liabilities	<u>8,690,405</u>	<u>7,914,641</u>	775,764
Net Assets			
Invested in Capital Assets, Net of Related Debt	4,153,434	1,444,334	2,709,100
Restricted	16,672,355	18,038,295	(1,365,940)
Unrestricted (Deficit)	(431,733)	(171,184)	(260,549)
Total Net Assets	<u>\$20,394,056</u>	<u>\$19,311,445</u>	<u>\$1,082,611</u>

Total Assets of governmental activities increased \$1,858,375. This increase is reflected primarily in Capital Assets, Net which increased \$2,631,100 due to an increase in Construction in Progress relating to the construction of the School District's new facility.

Total Liabilities also had a significant increase of \$775,764 for fiscal year 2010 when compared to the prior fiscal year. This increase was primarily due to an increase in Contracts Payable related to the School District's construction project.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Invested in Capital Assets, Net of Related Debt for governmental activities increased \$2,709,100. The increase is due to construction in progress relating to the classroom facilities project. Restricted Net Assets decreased \$1,365,940 as a result of the School District utilizing resources to pay expenses related to the construction project that were not capitalized. Unrestricted Net Assets for governmental activities decreased \$260,549.

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

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

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

(Table 2)
Change in Net Assets

	Governmental Activities		Increase/ (Decrease)
	2010	2009	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,266,632	\$1,235,670	\$30,962
Operating Grants, Contributions, and Interest	1,054,627	999,772	54,855
Capital Grants and Contributions	0	5,255	(5,255)
Total Program Revenues	<u>2,321,259</u>	<u>2,240,697</u>	<u>80,562</u>
General Revenues:			
Property Taxes Levied for:			
General Purposes	938,367	948,810	(10,443)
Debt Service	289,132	201,299	87,833
Capital Outlay	0	56,366	(56,366)
Other Purposes	22,947	15,976	6,971
Grants and Entitlements not			
Restricted to Specific Programs	4,260,078	20,987,939	(16,727,861)
Contributions and Donations	6,592	5,428	1,164
Investment Earnings	39,984	146,669	(106,685)
Miscellaneous	137,923	180,679	(42,756)
Total General Revenues	<u>5,695,023</u>	<u>22,543,166</u>	<u>(16,848,143)</u>
Total Revenues	<u>\$8,016,282</u>	<u>\$24,783,863</u>	<u>(\$16,767,581)</u>

(continued)

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

(Table 2)
Change in Net Assets
(continued)

	Governmental Activities		Increase/ (Decrease)
	2010	2009	
Program Expenses			
Instruction:			
Regular	\$3,421,408	\$3,460,819	(\$39,411)
Special	533,852	561,700	(27,848)
Vocational	17,342	14,679	2,663
Student Intervention Services	20,090	110,914	(90,824)
Support Services:			
Pupils	284,257	367,831	(83,574)
Instructional Staff	436,280	344,386	91,894
Board of Education	23,377	17,505	5,872
Administration	516,220	577,352	(61,132)
Fiscal	225,350	239,616	(14,266)
Operation and Maintenance of Plant	454,254	473,970	(19,716)
Pupil Transportation	297,636	341,362	(43,726)
Central	7,343	33,086	(25,743)
Operation of Non-Instructional Services:			
Food Service Operations	297,920	305,997	(8,077)
Extracurricular Activities	121,950	121,133	817
Interest and Fiscal Charges	276,392	280,848	(4,456)
Total Expenses	<u>6,933,671</u>	<u>7,251,198</u>	<u>(317,527)</u>
Change in Net Assets	1,082,611	17,532,665	(16,450,054)
Net Assets at Beginning of Year	<u>19,311,445</u>	<u>1,778,780</u>	<u>17,532,665</u>
Net Assets at End of Year	<u><u>\$20,394,056</u></u>	<u><u>\$19,311,445</u></u>	<u><u>\$1,082,611</u></u>

Governmental Activities

Program Revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues were \$2,321,259 of Total Revenues for fiscal year 2010 and varied insignificantly from fiscal year 2009.

As previously mentioned, General Revenues were \$5,695,023 of total revenues for fiscal year 2010 and were significantly less than the prior fiscal year. Grants and Entitlements Not Restricted to Specific Programs decreased \$16,727,861 from the prior fiscal year. This decrease resulted from the School District reporting its Ohio School Facilities Grant award during fiscal year 2009.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

As should be expected, Instruction costs represent the largest of the School District's expenses, \$3,992,692 for fiscal year 2010. Total Instruction costs decreased \$155,420. The largest decrease was in the Student Intervention Services program which decreased \$90,824. The Instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including Pupils, Instructional Staff, and Pupil Transportation account for \$1,018,173 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of \$454,254.

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,048,365 and expenditures of \$9,638,339. The net change in fund balance for the fiscal year was most significant in the Ohio School Facilities Construction Project Capital Projects Fund, an increase of \$4,479,342 which was the result of the School District receiving a significant portion of the Ohio School Facilities Commission grant for the construction of its new facility. The General Fund balance decreased \$283,382. Both revenues and expenditures increased in fiscal year 2010. Revenues increased \$191,570 while expenditures increased \$241,287. The most significant increase in revenue was in Intergovernmental revenue due to an increase in State aid. The largest increase in expenditures was in Regular Instruction due to an increase in health insurance premiums and an increase in open enrollment expenditures due to an increase in students in the School District attending other schools.

General Fund - Budget Highlights

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

During the course of fiscal year 2010, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A review of the budgetary comparison statement for the General Fund reflects an increase of \$82,992 between the original budget and final budget basis revenue, which is insignificant. This increase is primarily the result of the School District initially estimating to receive greater monies through its State foundation settlements. No change existed for revenues from the final budget to actual revenues received during the fiscal year.

Final estimated expenditures were \$5,319,833, with original estimated expenditures of \$5,689,562. This difference of \$369,729 was not related to one program but was a combination of insignificant decreases in many of the programs. These decreases were due primarily to the School District attempting to monitor expenditures more closely throughout the fiscal year. No change existed for expenditures from the final budget to actual expenditures made during the fiscal year.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Capital Assets

At the end of fiscal year 2010, the School District had \$4,227,434 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, textbooks and vehicles. The increase was mainly due to construction in progress relating to the School District starting construction on its new facility.

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

Debt

At June 30, 2010, the School District's outstanding debt obligations included general obligation bonds of \$5,215,000. The bonds will be fully retired in fiscal year 2037. The School District also had an outstanding lease-purchase agreement for new school buses in the amount of \$124,000. The School District's long-term obligations also included a premium and accretion on the general obligation bonds and compensated absences.

The School District's overall legal debt margin was (\$407,365) with an unvoted debt margin of \$52,330 at June 30, 2010.

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

Current Issues

The Clay Local School District is currently in the construction phase of the Ohio School Facilities Commission project to construct its new facilities. The project is scheduled to be completed in July 2011.

The Clay Local School District is proud of its student accomplishments. The School District as a whole achieved an Effective rating on its 2009-2010 report card with the individual buildings receiving the following ratings: Clay High School: Effective; Rubyville Elementary School: Excellent; and Rosemount Primary School: Excellent.

Contacting the School District's Financial Management

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

CLAY LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$770,685
Cash and Cash Equivalents	6,586,060
Investments	5,388,572
Materials and Supplies Inventory	12,580
Inventory Held for Resale	5,519
Accrued Interest Receivable	1,600
Prepaid Items	18,621
Property Taxes Receivable	1,401,887
Intergovernmental Receivable	10,528,184
Deferred Charges	118,482
Restricted Assets:	
Cash and Cash Equivalents	24,837
Capital Assets:	
Land	36,900
Construction in Progress	2,869,314
Depreciable Capital Assets, Net	<u>1,321,220</u>
<i>Total Assets</i>	<u>29,084,461</u>
<u>Liabilities:</u>	
Accounts Payable	2,212
Contracts Payable	832,476
Accrued Wages and Benefits Payable	416,648
Matured Compensated Absences	39,674
Intergovernmental Payable	173,835
Accrued Interest Payable	20,755
Retainage Payable	24,837
Deferred Revenue	1,170,996
Long-Term Liabilities:	
Due Within One Year	134,284
Due in More Than One Year	<u>5,874,688</u>
<i>Total Liabilities</i>	<u>8,690,405</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	4,153,434
Restricted for Capital Outlay	16,576,267
Restricted for Other Purposes	96,088
Unrestricted (Deficit)	<u>(431,733)</u>
<i>Total Net Assets</i>	<u><u>\$20,394,056</u></u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Revenue and Changes in Net Assets
				Total Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$3,421,408	\$1,109,396	\$171,694	(\$2,140,318)
Special	533,852	17,302	467,916	(48,634)
Vocational	17,342	0	5,699	(11,643)
Student Intervention Services	20,090	0	0	(20,090)
Support Services:				
Pupils	284,257	21,163	0	(263,094)
Instructional Staff	436,280	0	203,225	(233,055)
Board of Education	23,377	0	0	(23,377)
Administration	516,220	0	0	(516,220)
Fiscal	225,350	0	0	(225,350)
Operation and Maintenance of Plant	454,254	0	0	(454,254)
Pupil Transportation	297,636	0	1,966	(295,670)
Central	7,343	0	5,000	(2,343)
Operation of Non-Instructional Services:				
Food Service Operations	297,920	84,659	190,837	(22,424)
Extracurricular Activities	121,950	34,112	8,290	(79,548)
Interest and Fiscal Charges	276,392	0	0	(276,392)
Total Governmental Activities	\$6,933,671	\$1,266,632	\$1,054,627	(4,612,412)

General Revenues:

Property Taxes Levied for:	
General Purposes	938,367
Debt Service	289,132
Other Purposes	22,947
Grants and Entitlements not Restricted to Specific Programs:	
Operating	2,894,841
Capital	1,365,237
Contributions and Donations	6,592
Investment Earnings	39,984
Miscellaneous	137,923
Total General Revenues	5,695,023
Change in Net Assets	1,082,611
Net Assets at Beginning of Year	19,311,445
Net Assets at End of Year	\$20,394,056

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2010

	General	Ohio School Facilities Construction Project	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$482,530	\$0	\$288,155	\$770,685
Cash and Cash Equivalents	0	6,584,395	1,665	6,586,060
Investments	0	4,442,339	946,233	5,388,572
Restricted Assets:				
Cash and Cash Equivalents	0	24,837	0	24,837
Receivables:				
Property Taxes	1,083,925	0	317,962	1,401,887
Accounts				0
Intergovernmental	0	10,438,469	89,715	10,528,184
Accrued Interest	0	1,319	281	1,600
Interfund	6,484	0	0	6,484
Prepaid Items	6,293	12,328	0	18,621
Materials and Supplies Inventory	11,488	0	1,092	12,580
Inventory Held for Resale	0	0	5,519	5,519
Total Assets	\$1,590,720	\$21,503,687	\$1,650,622	\$24,745,029
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$1,998	\$214	\$0	\$2,212
Contracts Payable	0	804,591	27,885	832,476
Accrued Wages and Benefits Payable	326,332	0	90,316	416,648
Intergovernmental Payable	153,619	0	20,216	173,835
Interfund Payable	0	0	6,484	6,484
Retainage Payable	0	24,837	0	24,837
Matured Compensated Absences Payable	39,674	0	0	39,674
Deferred Revenue	1,005,127	10,394,821	310,062	11,710,010
Total Liabilities	1,526,750	11,224,463	454,963	13,206,176
<u>Fund Balances:</u>				
Reserved for Encumbrances	32,771	4,722,567	584,236	5,339,574
Reserved for Property Taxes	78,798	0	26,701	105,499
Unreserved, Undesignated, Reported in:				
General Fund	(47,599)	0	0	(47,599)
Special Revenue Funds	0	0	41,393	41,393
Debt Service Fund	0	0	73,226	73,226
Capital Projects Funds	0	5,556,657	470,103	6,026,760
Total Fund Balances	63,970	10,279,224	1,195,659	11,538,853
Total Liabilities and Fund Balances	\$1,590,720	\$21,503,687	\$1,650,622	\$24,745,029

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balances \$11,538,853

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	36,900	
Construction in progress	2,869,314	
Other capital assets	4,236,928	
Accumulated depreciation	(2,915,708)	
Total capital assets		4,227,434

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

Delinquent property taxes	125,392	
Intergovernmental	10,412,478	
Investment Earnings	1,144	
		10,539,014

Bond issuance costs reported as an expenditure in governmental funds are recognized as an asset and allocated as an expense over the life of the bonds on a full accrual basis.

118,482

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

General obligation bonds	(5,272,629)	
Capital leases	(124,000)	
Premium on general obligation bonds	(209,831)	
Accrued interest on capital lease	(410)	
Accrued interest on bonds	(20,345)	
Compensated absences	(402,512)	
Total liabilities		(6,029,727)

Net Assets of Governmental Activities \$20,394,056

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Ohio School Facilities Construction Project	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$926,393	\$0	\$307,761	\$1,234,154
Intergovernmental	2,834,918	7,402,118	1,118,336	11,355,372
Investment Earnings	2,104	32,014	5,284	39,402
Tuition and Fees	1,126,698	0	0	1,126,698
Extracurricular Activities	21,163	0	34,112	55,275
Charges for Services	0	0	84,659	84,659
Contributions and Donations	6,592	0	8,290	14,882
Miscellaneous	123,455	1,481	12,987	137,923
<i>Total Revenues</i>	<u>5,041,323</u>	<u>7,435,613</u>	<u>1,571,429</u>	<u>14,048,365</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,967,846	0	385,260	3,353,106
Special	248,647	0	287,004	535,651
Vocational	16,284	0	0	16,284
Student Intervention Services	25,779	0	146	25,925
Support Services:				
Pupils	273,748	0	11,895	285,643
Instructional Staff	221,235	0	204,273	425,508
Board of Education	23,377	0	0	23,377
Administration	526,815	0	0	526,815
Fiscal	214,681	8,480	9,609	232,770
Operation and Maintenance of Plant	432,317	0	0	432,317
Pupil Transportation	258,067	0	0	258,067
Central	6,745	0	0	6,745
Operation of Non-Instructional Services:				
Food Service Operations	0	0	294,335	294,335
Extracurricular Activities	71,707	0	44,158	115,865
Capital Outlay	0	2,719,568	57,267	2,776,835
Debt Service:				
Principal Retirement	0	0	78,000	78,000
Interest and Fiscal Charges	0	0	251,096	251,096
<i>Total Expenditures</i>	<u>5,287,248</u>	<u>2,728,048</u>	<u>1,623,043</u>	<u>9,638,339</u>
Excess of Revenues Over (Under) Expenditures	<u>(245,925)</u>	<u>4,707,565</u>	<u>(51,614)</u>	<u>4,410,026</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	265,680	265,680
Transfers Out	(37,457)	(228,223)	0	(265,680)
<i>Total Other Financing Sources (Uses)</i>	<u>(37,457)</u>	<u>(228,223)</u>	<u>265,680</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(283,382)	4,479,342	214,066	4,410,026
<i>Fund Balances at Beginning of Year</i>	<u>347,352</u>	<u>5,799,882</u>	<u>981,593</u>	<u>7,128,827</u>
<i>Fund Balances at End of Year</i>	<u>\$63,970</u>	<u>\$10,279,224</u>	<u>\$1,195,659</u>	<u>\$11,538,853</u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$4,410,026

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

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

Capital assets additions	34,423	
Construction in progress additions	2,730,253	
Depreciation expense	<u>(133,576)</u>	
Excess of capital outlay over depreciation expense		2,631,100

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

Delinquent property taxes	16,292	
Intergovernmental	(6,048,986)	
Investment Earnings	<u>611</u>	
		(6,032,083)

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

Bond principal payments	50,000	
Capital lease payments	<u>28,000</u>	
Total long-term debt repayment		78,000

Amortization of bond issuance costs and bond premiums are not reported in the funds, but are allocated as expenses over the life of the debt in the Statement of Activities.

Amortization of bond issuance costs	(4,471)	
Amortization of premium on bonds	<u>7,918</u>	
		3,447

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

Decrease in accrued interest		258
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences payable	20,864	
Accretion on bonds	<u>(29,001)</u>	
Total increase		<u>(8,137)</u>

Change in Net Assets of Governmental Activities \$1,082,611

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2010

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,113,000	\$914,983	\$914,983	\$0
Intergovernmental	2,641,224	2,834,918	2,834,918	0
Investment Earnings	1,960	2,104	2,104	0
Tuition and Fees	1,049,717	1,126,698	1,126,698	0
Extracurricular Activities	19,717	21,163	21,163	0
Contributions and Donations	6,142	6,592	6,592	0
Miscellaneous	113,090	121,384	121,384	0
<i>Total Revenues</i>	4,944,850	5,027,842	5,027,842	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,098,706	2,983,458	2,983,458	0
Special	282,185	246,015	246,015	0
Vocational	19,310	16,187	16,187	0
Student Intervention Services	55,654	21,159	21,159	0
Support Services:				
Pupils	331,731	306,404	306,404	0
Instructional Staff	249,203	222,418	222,418	0
Board of Education	22,990	24,439	24,439	0
Administration	574,284	522,820	522,820	0
Fiscal	200,519	175,301	175,301	0
Operation and Maintenance of Plant	475,618	442,236	442,236	0
Pupil Transportation	273,639	276,675	276,675	0
Central	22,463	10,296	10,296	0
Extracurricular Activities	83,260	72,425	72,425	0
<i>Total Expenditures</i>	5,689,562	5,319,833	5,319,833	0
Excess of Revenues Under Expenditures	(744,712)	(291,991)	(291,991)	0
<u>Other Financing Sources (Uses):</u>				
Transfers In	2,071	2,071	2,071	0
Transfers Out	(30,938)	(36,331)	(36,331)	0
Advances In	1,100	1,100	1,100	0
Advances Out	(1,232)	(6,484)	(6,484)	0
<i>Total Other Financing Sources (Uses)</i>	(28,999)	(39,644)	(39,644)	0
<i>Net Change in Fund Balance</i>	(773,711)	(331,635)	(331,635)	0
<i>Fund Balance at Beginning of Year</i>	741,150	741,150	741,150	0
<i>Prior Year Encumbrances Appropriated</i>	38,104	38,104	38,104	0
<i>Fund Balance at End of Year</i>	\$5,543	\$447,619	\$447,619	\$0

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$19,923</u>
<u>Liabilities:</u>	
Undistributed Monies	<u>\$19,923</u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1909 through the consolidation of existing land areas and school districts. The School District serves an area of 19.93 square miles. It is located in Scioto County, and includes Clay Township. It is staffed by 28 non-certificated employees, 48 certificated full-time teaching personnel and four administrative employees who provide services to 554 students and other community members. The School District currently operates three instructional buildings and two storage buildings.

Reporting Entity

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

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are presented in Note 17 to the basic financial statements.

Jointly Governed Organizations:

South Central Ohio Computer Association
Coalition of Rural and Appalachian Schools
Metropolitan Educational Council

Public Entity Shared Risk Pool:

Scioto County Schools Council

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(continued)

Insurance Purchasing Pool:
Ohio School Boards Association Workers' Compensation Group Rating
Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 are the School District's major governmental funds:

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

Ohio School Facilities Construction Project Fund – The Ohio School Facilities Construction Project Fund is used to account for all intergovernmental monies and interest received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for constructing a new Pre-K-12 facility, as well as to demolish the existing instructional buildings.

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Budgetary Process

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

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

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

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District has monies related to the Ohio School Facilities Commission Project and the School District's local share of the project invested separately from the School District's internal investment pool. These amounts are presented as "Cash and Cash Equivalents" and "Investments" on the financial statements.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2010, the School District's investments were limited to Federal Home Loan Bank Notes, Federal Farm Credit Corporation Notes, Federal Home Loan Mortgage Association Discount Notes, and Federal Home Loan Mortgage Association Notes. Investments are reported at fair value which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$2,104, which includes \$1,932 assigned from other School District funds.

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable". These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

Capital Assets

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

CLAY LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Compensated Absences

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

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

Bond issuance costs and bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as a reduction/addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges. On the fund financial statements, bond premiums are reported as Other Financing Sources and issuance costs are reported as expenditures when the debt is issued. Accretion on the capital appreciation bonds are not reported.

Internal Activity

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

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

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

Fund Balance Reserves

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

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

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

Estimates

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2010, the Other Grants, Public Preschool, Title VI-B, Title I, and Title II-A Special Revenue Funds had deficit fund balances of \$536, \$13,883, \$512, \$5,327 and \$7,987, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

Net Change in Fund Balance	
GAAP Basis	(\$283,382)
Adjustments:	
Revenue Accruals	(13,481)
Expenditure Accruals	2,326
Encumbrances	(34,911)
Transfers	3,197
Advances	(5,384)
Budget Basis	(\$331,635)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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.

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

Deposits:

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, all of the District's bank balances were covered by FDIC or secured by collateral pool and were no subject to custodial credit risk.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments: As of June 30, 2010, the School District had the following investments, all of which are related to the Ohio School Facilities Commission Project:

	Fair Value	Investment Maturities in Years		S&P Rating	Percent of Total Investments
		Less than 1	1 - 2		
Federal Home Loan Bank Notes	\$3,609,900	\$3,084,900	\$525,000	----	66.99%
Federal Farm Credit Corporation Notes	324,822	0	324,822	AAA	6.03%
Federal Home Loan Mortgage Association Discount Notes	1,353,875	1,353,875	0	AAA	25.12%
Federal Home Loan Mortgage Association Notes	99,975	0	99,975	AAA	1.86%
Totals	\$5,388,572	\$4,438,775	\$949,797		

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

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's investment policy does not address credit risk.

Concentration of Credit Risk: The School District's investment policy does not address concentration of credit risk. The percentage that each investment represents of the total investments is listed in the table above.

NOTE 6 - PROPERTY TAXES

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 – PROPERTY TAXES (continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in calendar year 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The Scioto County Treasurer collects property taxes on behalf of all governments in the County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2010, 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 of deferred revenue.

The amounts available as an advance at June 30, 2010, were \$78,798 in the General Fund and \$26,701 in Other Governmental Funds. The amounts available as an advance at June 30, 2009, were \$67,388 in the General Fund and \$22,874 in Other Governmental Funds.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 – PROPERTY TAXES (continued)

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

The assessed values upon which fiscal year 2010 taxes were collected are:

	<u>2009 Second- Half Collections</u>		<u>2010 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$48,945,860	94.23%	\$49,465,230	94.13%
Public Utility Personal	2,849,480	5.49%	3,009,530	5.73%
General Business Personal	145,080	0.28%	75,640	0.14%
Total Assessed Value	<u>\$51,940,420</u>	<u>100.00%</u>	<u>\$52,550,400</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$32.02		 \$32.02	

On March 4, 2008, the School District’s voters passed a 6.3 mil bond levy for the construction of its new school facilities and a half-mil permanent improvement levy. During fiscal year 2010, the School District began collecting revenue from this bond levy.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010, consisted of property taxes, intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full and will be received within one fiscal year with the exception of the property taxes and the Ohio School Facilities Commission Grant. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Ohio School Facilities Commission Grant monies will be collected over the life of the construction of the new facility.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
Ohio School Facilities Commission Grant	\$10,438,469
Title I	28,704
Title I School Improvement Sub A	5,296
Title I School Improvement Sub G	30,797
High Schools That Work	1,121
Special Education Part B-IDEA	23,797
Total Intergovernmental Receivables	<u>\$10,528,184</u>

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 7 – RECEIVABLES (continued)

The School District was awarded a grant in the amount of \$18,257,865 on October 3, 2008, from the Ohio School Facilities Commission for the construction of a new Pre-K-12 facility, as well as to demolish the existing instructional buildings. On June 28, 2010, an amendment to increase the original grant award was approved in the amount of \$1,365,237, increasing the total award to \$19,623,102.

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Deductions	Balance at 6/30/10
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$36,900	\$0	\$0	\$36,900
Construction in Progress	139,061	2,730,253	0	2,869,314
Total Capital Assets Not Being Depreciated	<u>175,961</u>	<u>2,730,253</u>	<u>0</u>	<u>2,906,214</u>
Capital Assets Being Depreciated:				
Land Improvements	77,631	4,300	0	81,931
Buildings and Improvements	2,503,664	5,227	0	2,508,891
Furniture, Fixtures and Equipment	836,474	24,896	0	861,370
Textbooks	338,923	0	0	338,923
Vehicles	445,813	0	0	445,813
Total Capital Assets Being Depreciated	<u>4,202,505</u>	<u>34,423</u>	<u>0</u>	<u>4,236,928</u>
Less Accumulated Depreciation:				
Land Improvements	(34,677)	(7,615)	0	(42,292)
Building and Improvements	(1,593,262)	(42,937)	0	(1,636,199)
Furniture, Fixtures and Equipment	(575,175)	(48,332)	0	(623,507)
Textbooks	(338,923)	0	0	(338,923)
Vehicles	(240,095)	(34,692)	0	(274,787)
Total Accumulated Depreciation	<u>(2,782,132)</u>	<u>(133,576) *</u>	<u>0</u>	<u>(2,915,708)</u>
Total Capital Assets Being Depreciated, Net	<u>1,420,373</u>	<u>(99,153)</u>	<u>0</u>	<u>1,321,220</u>
Governmental Activities Capital Assets, Net	<u>\$1,596,334</u>	<u>\$2,631,100</u>	<u>\$0</u>	<u>\$4,227,434</u>

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 8 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$55,070
Special	4,766
Vocational	1,058
Student Intervention Services	1,838
Support Services:	
Pupils	2,451
Instructional Staff	2,584
Administration	5,344
Fiscal	2,045
Operation and Maintenance of Plant	9,101
Pupil Transportation	38,981
Central	613
Operation of Non-Instructional Services:	
Food Service Operations	3,640
Extracurricular Activities	6,085
Total Depreciation Expense	<u><u>\$133,576</u></u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted with School Insurance Consultants, LLC (SIC) for insurance consulting services. The premium paid to SIC for fiscal year 2010 was \$3,000. The School District also pays to the awarded insurance agency an insurance premium that is based on types of coverage, limits of coverage, and deductibles that it selects. For the fiscal year, the School District contracted with Ohio Casualty Insurance Agency for liability, property, inland marine, and automobile liability insurance coverage and paid its premium to Ralph E. Wade Insurance Agency, Inc., an agent for Ohio Casualty Insurance Agency.

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 9 - RISK MANAGEMENT (continued)

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

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP. Each fiscal year, the School District pays an enrollment fee to the GRP to cover the cost of administering the program.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$110,482, \$75,280, and \$58,588, respectively; 45.39 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System of Ohio

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

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$338,998, \$333,084, and \$317,733, respectively; 83.97 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$3,441 made by plan members and \$4,818 made by the School District.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$15,899, \$49,625, and \$36,761, respectively; 45.39 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$6,570, \$6,211, and \$4,221, respectively; 45.39 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$26,077, \$25,622, and \$24,441, respectively; 83.97 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated contracts and State laws. Eligible classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 12 - EMPLOYEE BENEFITS (continued)

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 40 - 60 days, depending on years of service.

Insurance Benefits

The School District provides vision coverage through Vision Service Plan and life insurance through the Metropolitan Educational Council (Note 17). The School District also provides health care and dental coverage for its employees with Medical Mutual of Ohio through the Scioto County Schools Council.

Deferred Compensation

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

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The lease-purchase amount equaled \$204,000. Capital assets acquired through the lease were capitalized in the amount of \$201,000 with the remaining \$3,000 being disbursed directly from the Program Discretionary Fund to pay certain expenses of the School District's participation in the Program. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2010 totaled \$28,000 and were paid from the Debt Service Fund.

The assets acquired through the capital lease as of June 30, 2010, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
School Buses	\$201,000	\$72,024	\$128,976

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010.

Fiscal Year Ending June 30,	Total Payments
2011	\$34,171
2012	33,962
2013	34,710
2014	33,688
Total	136,531
Less: Amount Representing Interest	(12,531)
Present Value of Net Minimum Lease Payments	\$124,000

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Amount Outstanding 6/30/09	Additions	Deductions	Amount Outstanding 6/30/10	Amounts Due in One Year
<u>Governmental Activities:</u>					
2008 School Improvement General					
Obligation Bonds - 3.63% to 5.25%					
Serial Bonds	\$335,000	\$0	\$50,000	\$285,000	\$60,000
Term Bonds	4,800,000	0	0	4,800,000	0
Capital Appreciation Bonds	130,000	0	0	130,000	0
Accretion on Capital Appreciation					
Bonds	28,628	29,001	0	57,629	0
Unamortized Premium	217,749	0	7,918	209,831	0
Capital Leases	152,000	0	28,000	124,000	29,000
Compensated Absences	423,376	66,050	86,914	402,512	45,284
Total Governmental Activities					
Long-Term Obligations	<u>\$6,086,753</u>	<u>\$95,051</u>	<u>\$172,832</u>	<u>\$6,008,972</u>	<u>\$134,284</u>

On November 12, 2008, the School District issued \$5,265,000 in general obligation bonds for the purpose of paying off the July 2008 bond anticipation notes. The bond issue included serial, term, and capital appreciation bonds, in the amounts of \$335,000, \$4,800,000, and \$130,000, respectively. The bonds were issued for a 28 year period with first maturity at December 1, 2009, and final maturity at December 1, 2036.

The serial bonds issued at \$335,000 and with final maturity dates after December 1, 2018, are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2018, at the redemption price of 100 percent.

The term bonds were issued at \$4,800,000. The term bonds that mature on December 1, 2036, are subject to mandatory sinking fund redemption on December 1, 2021, December 1, 2023, December 1, 2025, December 1, 2028, December 1, 2033, and December 1, 2036, at 100 percent of the principal amount thereof plus accrued interest to the date of redemptions according to the following schedule:

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Fiscal Year Ending June 30,	Principal Amount to be Redeemed
2022	\$430,000
2024	345,000
2026	400,000
2029	730,000
2034	1,620,000
2037	1,275,000
Total	\$4,800,000

The capital appreciation bonds, issued at \$130,000, are not subject to prior redemption. The fiscal year 2010 accretion amount was \$29,001. The remaining capital appreciation bonds will mature December 1, 2014, through 2018 as follows:

Fiscal Year	Maturity Amount
2015	\$100,000
2016	100,000
2017	110,000
2018	125,000
2019	125,000
Total	\$560,000

On June 27, 2010, the School District entered into a loan agreement with the Ohio School Facilities Commission for costs associated with the construction of its new facility. The loan was authorized under the Hardship Loan Program. This program allows the Ohio School Facilities Commission to enter into a loan agreement with a school district if the basic costs of a construction project are increased from the original amount. Qualifying expenditures under the program must be the result of additional costs to the school district to correct conditions resulting from the discovery of oversights or deficiencies in the initial assessment or plan and the payment of such expenditures would create an undue hardship on the school district. The School District submitted an assessment to the Ohio School Facilities Commission that indicated that if it provided the full amount of the additional local share of the construction project of the new facilities, there would be a negative impact on the fund balances of the School District in fiscal years 2011 and 2012. The total amount of the loan is \$266,707. As of fiscal year-end, the School District has not received any proceeds of the loan.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the School District's outstanding debt at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$60,000	\$243,009	\$0	\$0	\$0	\$0
2012	75,000	240,525	0	0	0	0
2013	75,000	237,759	0	0	0	0
2014	75,000	234,852	0	0	0	0
2015	0	0	0	233,352	33,143	66,857
2016-2020	0	0	0	1,164,073	96,857	363,143
2021-2025	0	0	775,000	1,053,386	0	0
2026-2030	0	0	1,130,000	823,151	0	0
2031-2035	0	0	1,620,000	464,076	0	0
2036-2037	0	0	1,275,000	47,119	0	0
Totals	\$285,000	\$956,145	\$4,800,000	\$3,785,157	\$130,000	\$430,000

As of June 30, 2010, none of the debt proceeds had been spent toward the project.

The capital lease will be paid from the Debt Service Fund and compensated absences will be paid from the General Fund and the Food Service, Public Preschool, Title VI-B, Title I, and Title II-A Special Revenue Funds.

The School District's overall legal debt margin was (\$407,365) with an unvoted debt margin of \$52,330 at June 30, 2010. Ohio Revised Code Section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's local portion of Ohio School Facilities construction project costs. The School District submitted the issuance of its School Improvement General Obligation Bonds to the electors prior to the adoption of H.B. 530. H.B. 530 now excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations from the definition of tax valuation for the purpose of calculating the legal debt margin for school districts.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 15 - INTERFUND ACTIVITY

Interfund balances at June 30, 2010, consist of the following individual interfund receivable and payable:

		Receivable
		General Fund
Payable	Other	
	Governmental Funds	\$6,484

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

Transfers made during the fiscal year ended June 30, 2010, were as follows:

		Transfers From		
		Ohio School Facilities Construction		
		General	Project	Total
Transfers To	Other			
	Governmental Funds	\$37,457	\$228,223	\$265,680

General Fund transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers were made from the General Fund to the Other Governmental Funds for the purpose of making debt payments. A transfer was made from the Ohio School Facilities Construction Project Capital Projects Fund to the Other Governmental Funds because the local share of the construction project was reduced and the Locally Funded Initiative portion of the Other Governmental Funds was increased. Originally, all of the local monies were receipted into the Ohio School Facilities Construction Project Capital Projects Fund, so the School District moved the amount of the change from this fund to the Other Governmental Funds.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 16 - CONSTRUCTION COMMITMENTS

The School District contracted for constructing its new Pre-K-12 facility, as well as to demolish the existing instructional buildings. The outstanding construction commitments at June 30, 2010, are:

Contractor	Contract Amount	Amount Expended	Balance At June 30, 2010
Tanner, Stone & Co.	\$1,223,441	\$963,216	\$260,225
DCK Construction	1,178,958	679,945	499,013
Burgess and Niple	10,630	5,215	5,415
Professional Services Industries	68,809	14,212	54,597
Four Seasons Environmental	58,300	9,430	48,870
BB&E	3,199,800	46,850	3,152,950
J & H Reinforcing	12,048,500	496,297	11,552,203
West End Electric	3,184,980	141,994	3,042,986
Central Fire Protection	194,047	15,990	178,057
Total	<u>\$21,167,465</u>	<u>\$2,373,149</u>	<u>\$18,794,316</u>

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL

Jointly Governed Organizations

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$10,176 for membership fees during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL (continued)

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of 14 members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for School District administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for School District personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid \$300 to the Coalition for services provided during the fiscal year.

Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county outside Franklin County. In particular, the School District participates in an insurance purchasing pool, which is managed by MEC, to obtain lower costs for life insurance coverage for their employees. The School District pays premiums to MEC based on the number of employees who participate, the amount of coverage provided, and what MEC estimates will cover the costs to provide that coverage. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL (continued)

Public Entity Shared Risk Pool

Scioto County Schools Council

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

Insurance Purchasing Pool

Ohio School Boards Association Workers’ Compensation Group Rating Plan

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

NOTE 18 - SET-ASIDE CALCULATIONS

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 18 - SET-ASIDE CALCULATIONS (continued)

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

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2009	(\$8,583)	\$0
Current Fiscal Year Set-aside Requirement	76,922	76,922
Current Fiscal Year Offsets	0	(76,922)
Qualifying Disbursements	(96,415)	0
Totals	(\$28,076)	\$0
Set-aside Reserve Balance as of June 30, 2010	(\$28,076)	\$0

The School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for textbooks and instructional materials. This amount may be carried forward to reduce the set-aside requirement of future fiscal years.

Amounts of offsets and qualifying disbursements for capital acquisitions presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District had qualifying disbursements during the fiscal year that would have reduced the set-aside amount for capital acquisitions to below zero, this extra amount may not be used to reduce the set-aside requirements of future fiscal years, therefore the School District has chosen not to present them.

NOTE 19 - CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

Litigation

The School District is not party to any legal proceedings.

CLAY LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 64,168	\$ -	\$ 64,168	\$ -
National School Lunch Program	3L60	10.555	115,819	3,473	115,819	3,473
Summer Food Service Program for Children	3L60	10.559	<u>6,728</u>	<u>-</u>	<u>6,728</u>	<u>-</u>
Total Nutrition Cluster			186,715	3,473	186,715	3,473
Total United States Department of Agriculture			<u>186,715</u>	<u>3,473</u>	<u>186,715</u>	<u>3,473</u>
<u>United States Department of Education</u>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	6BSF	84.027	91,123	-	107,869	-
Special Education - Preschool Grants	PGS1	84.173	450	-	450	-
Special Education - Grants to States - ARRA	N/A	84.391	<u>54,385</u>	<u>-</u>	<u>52,747</u>	<u>-</u>
Total Special Education Cluster			145,958	-	161,066	-
<i>Title I Cluster</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	196,511	-	209,638	-
Title I Grants to Local Educational Agencies - ARRA	N/A	84.389	<u>28,163</u>	<u>-</u>	<u>30,305</u>	<u>-</u>
Total Title I Cluster			224,674	-	239,943	-
Safe and Drug Free Schools and Communities - State Grants	DRS1	84.186	3,006	-	3,006	-
Education Technology State Grants	TJS1	84.318	1,742	-	1,742	-
Rural Education	N/A	84.358	10,943	-	10,943	-
Improving Teacher Quality State Grants	TRS1	84.367	48,496	-	53,898	-
School Improvement Grants	3AN0	84.377	29,203	-	27,515	-
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	N/A	84.394	<u>178,289</u>	<u>-</u>	<u>178,289</u>	<u>-</u>
Total United States Department of Education			<u>642,311</u>	<u>-</u>	<u>676,402</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 829,026</u>	<u>\$ 3,473</u>	<u>\$ 863,117</u>	<u>\$ 3,473</u>

N/A=Not Available

See accompanying notes to schedule of federal awards receipts and expenditures.

Clay Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

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

NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by
*Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Clay Local School District, Scioto County (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 2010. 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' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

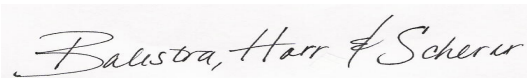
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

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

We intend this report solely for the information and use of the audit committee, management, members of the Board, and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 22, 2010



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

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

To the Board of Education:

Compliance

We have audited the compliance of Clay Local School District, Scioto County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect Clay Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School 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 School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School 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 of the School District's compliance with those requirements.

In our opinion, the Clay Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The School 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 School 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 opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

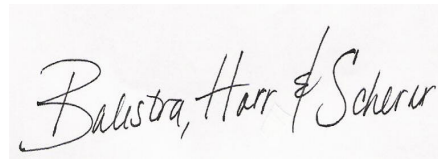
Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct noncompliance with a federal program compliance requirement.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 22, 2010

Clay Local School District
Scioto County
June 30, 2010

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(v)	Type of Major Program' s Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA# 84.027, 84.173 & 84.391 Title I Cluster CFDA# 84.010 & 84.389 State Fiscal Stabilization Fund CFDA# 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

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

Material Weakness

Sound financial reporting is the responsibility of the Treasurer and Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The District was required to make adjustments to Capital Assets' Construction in Progress. The accompanying financial statements were adjusted to reflect correction of this material misstatement. There also was an immaterial difference with the prior year Construction in Progress that was not adjusted.

The District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client response:

This was a decision made in 2009, nothing was discussed about a change with the previous Treasurer. I was just following suit. The District plans to correct this issue so that it does not come up in the future, we will capitalize costs over a certain dollar amount

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

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Dave Yost • Auditor of State

CLAY LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 22, 2011