



Dave Yost • Auditor of State



**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities .....	16
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (non-GAAP Basis) and Actual – General Fund .....	19
Statement of Fiduciary Net Assets – Fiduciary Funds .....	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	21
Notes to the Basic Financial Statements .....	23
Schedule of Federal Awards Receipts and Expenditures.....	51
Notes to the Federal Awards Receipts and Expenditures Schedule .....	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	53
Independent Accountants' Report on Compliance with requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	55
Schedule of Findings.....	57

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Clinton-Massie Local School District  
Clinton County  
2556 Lebanon Road  
Clarksville, Ohio 45113

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 Clinton-Massie Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 13, 2011

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)**

The management's discussion and analysis of the Clinton-Massie Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets of governmental activities decreased \$2,313,784 which represents a 5.19% decrease from 2009.
- General revenues accounted for \$14,564,860 in revenue or 82.87% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$3,011,278 or 17.13% of total revenues of \$17,576,138.
- The District had \$19,889,922 in expenses related to governmental activities; only \$3,011,278 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,564,860 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and classroom facilities fund. The general fund had \$14,496,643 in revenues and other financing sources and \$14,469,923 in expenditures. During fiscal year 2010, the general fund's fund balance increased \$26,720 from \$2,342,712 to \$2,369,432.
- The debt service fund had \$1,039,234 in revenues and \$7,170,732 in expenditures and other financing uses. During fiscal year 2010, the debt service fund's fund balance decreased \$6,131,498 from \$7,373,927 to \$1,242,429. The decrease in fund balance can be attributed to a transfer to the classroom facilities fund to repay a \$6,070,000 short-term bond anticipation note. See Note 5 and Note 11 to the basic financial statements for additional information on this transfer and note.
- The classroom facilities fund had \$6,327,562 in revenues and other financing sources and \$2,732,000 in expenditures. During fiscal year 2010, the classroom facilities fund's fund balance increased \$3,595,562 from a deficit of \$2,329,402 to a balance of \$1,266,160.

**Using the Basic Financial Statements**

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

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

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-49 of this report.

**The District as a Whole**

The District restated beginning net assets as described in Note 3.C. The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2010 and 2009.

	<b>Net Assets</b>	
	Governmental Activities 2010	Restated Governmental Activities 2009
<b><u>Assets</u></b>		
Current and other assets	\$ 12,341,804	\$ 22,077,990
Capital assets, net	<u>46,189,918</u>	<u>45,744,688</u>
Total assets	<u>58,531,722</u>	<u>67,822,678</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,783,378	13,945,309
Long-term liabilities	<u>9,477,784</u>	<u>9,308,205</u>
Total liabilities	<u>16,261,162</u>	<u>23,253,514</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	37,635,017	31,326,427
Restricted	2,940,647	5,489,523
Unrestricted	<u>1,694,896</u>	<u>7,768,394</u>
Total net assets	<u>\$ 42,270,560</u>	<u>\$ 44,584,344</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$42,270,560. Of this total \$2,940,647 is restricted in use.

At year-end, capital assets represented 78.91% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$37,635,017. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

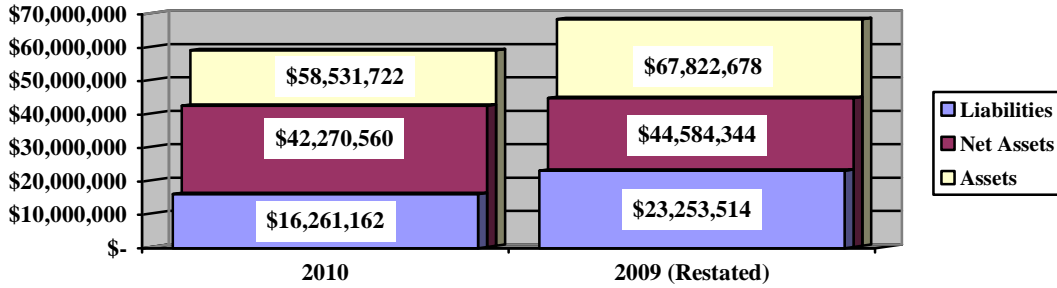
A portion of the District's net assets, \$2,940,647, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,694,896 may be used to meet the District's ongoing obligations to the students and creditors.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)**

The graph below illustrates the District's assets, liabilities, and net assets at June 30, 2010 and June 30, 2009.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2010 and 2009.

**Change in Net Assets**

	Governmental Activities 2010	Governmental Activities 2009
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,370,435	\$ 1,002,741
Operating grants and contributions	1,640,843	1,338,311
Capital grants and contributions	-	28,066
General revenues:		
Property taxes	5,299,437	5,481,142
Grants and entitlements	9,211,398	9,327,191
Investment earnings	25,279	383,173
Miscellaneous	28,746	46,012
<b>Total revenues</b>	<b>\$ 17,576,138</b>	<b>\$ 17,606,636</b>

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

**Change in Net Assets**

	Governmental Activities 2010	(Restated) Governmental Activities 2009
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,449,474	\$ 7,386,093
Special	1,389,684	1,098,870
Other	1,320,824	1,081,162
Support services:		
Pupil	943,132	948,978
Instructional staff	1,308,813	1,319,874
Board of education	17,775	17,452
Administration	1,181,712	998,314
Fiscal	505,618	472,491
Business	6,249	38,939
Operations and maintenance	1,829,284	1,921,443
Pupil transportation	1,028,501	944,467
Central	4,040	5,310
Operations of non-instructional services:		
Other non-instructional services	-	4,000
Food service operations	687,645	675,557
Extracurricular activities	581,800	660,888
Interest and fiscal charges	<u>635,371</u>	<u>799,806</u>
Total expenses	<u>19,889,922</u>	<u>18,373,644</u>
Change in net assets	(2,313,784)	(767,008)
Net assets at beginning of year (Restated)	<u>44,584,344</u>	<u>45,351,352</u>
Net assets at end of year	<u>\$ 42,270,560</u>	<u>\$ 44,584,344</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$2,313,784. Total governmental expenses of \$19,889,922 were offset by program revenues of \$3,011,278 and general revenues of \$14,564,860. Program revenues supported 15.14% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 82.56% of total governmental revenue. Real estate property is reappraised every six years.

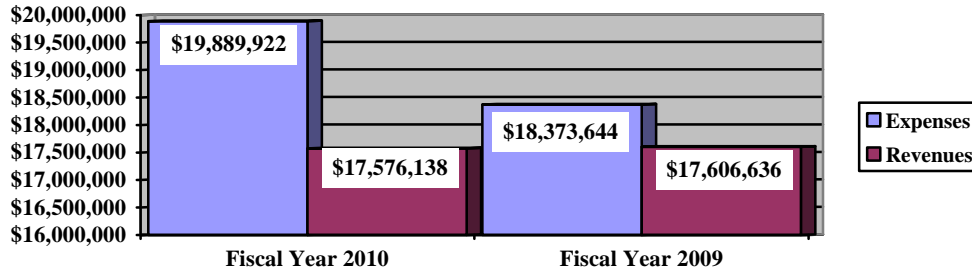
The decrease in net assets of \$2,313,784 from the prior year can be attributed to the increase in expenditures of \$1,516,278 as well as the decrease in property tax revenues of \$181,705 and earnings on investment of \$357,894. Earnings on investments decreased due to the amount of investments the District carried during fiscal year 2010 compared to fiscal year 2009.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
<b>Program expenses</b>				
Instruction:				
Regular	\$ 8,449,474	\$ 7,669,767	\$ 7,386,093	\$ 7,073,851
Special	1,389,684	1,119,618	1,098,870	516,722
Vocational	-	(1,843)	-	(1,830)
Other	1,320,824	1,108,082	1,081,162	947,612
Support services:				
Pupil	943,132	919,610	948,978	918,141
Instructional staff	1,308,813	1,075,334	1,319,874	1,051,787
Board of education	17,775	17,775	17,452	17,452
Administration	1,181,712	1,138,777	998,314	944,798
Fiscal	505,618	505,618	472,491	472,491
Business	6,249	6,249	38,939	38,939
Operations and maintenance	1,829,284	1,306,111	1,921,443	1,921,443
Pupil transportation	1,028,501	993,472	944,467	878,201
Central	4,040	(960)	5,310	2
Operations of non-instructional services				
Other non-instructional services	-	-	4,000	4,000
Food service operations	687,645	(5,592)	675,557	(11,128)
Extracurricular activities	581,800	391,255	660,888	432,239
Interest and fiscal charges	635,371	635,371	799,806	799,806
<b>Total expenses</b>	<u>\$ 19,889,922</u>	<u>\$ 16,878,644</u>	<u>\$ 18,373,644</u>	<u>\$ 16,004,526</u>

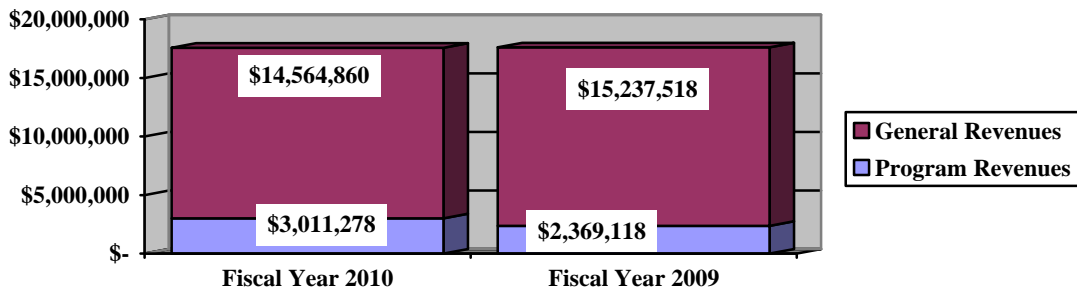
**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)**

The dependence upon tax and other general revenues for governmental activities is apparent; 88.67% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.86%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$5,103,983, which is lower than last year's total of \$7,715,167. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase/ (Decrease)
General	\$ 2,369,432	\$ 2,342,712	\$ 26,720
Debt Service	1,242,429	7,373,927	(6,131,498)
Classroom Facilities	1,266,160	(2,329,402)	3,595,562
Other Governmental	<u>225,962</u>	<u>327,930</u>	<u>(101,968)</u>
<b>Total</b>	<b><u>\$ 5,103,983</u></b>	<b><u>\$ 7,715,167</u></b>	<b><u>\$ (2,611,184)</u></b>

**General Fund**

The District's general fund's fund balance increased by \$26,720. The decrease in fund balance for the debt service fund and the increase in the classroom facilities fund can be attributed to a transfer from the debt service fund to the classroom facilities fund. See Note 5 to the basic financial statements for additional information on this transfer.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2010 <u>Amount</u>	2009 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 4,290,364	\$ 4,013,492	\$ 276,872	6.90 %
Tuition	545,080	114,185	430,895	377.37 %
Earnings on investments	25,609	261,244	(235,635)	(90.20) %
Intergovernmental	9,065,190	9,643,577	(578,387)	(6.00) %
Other revenues	<u>47,880</u>	<u>54,665</u>	<u>(6,785)</u>	(12.41) %
Total	<u>\$ 13,974,123</u>	<u>\$ 14,087,163</u>	<u>\$ (113,040)</u>	(0.80) %
<b><u>Expenditures</u></b>				
Instruction	\$ 8,167,433	\$ 8,334,703	\$ (167,270)	(2.01) %
Support services	5,217,761	5,557,251	(339,490)	(6.11) %
Operation of non-instructional services	-	4,000	(4,000)	(100.00) %
Extracurricular activities	369,469	421,910	(52,441)	(12.43) %
Facilities acquisition and construction	589,011	113,672	475,339	418.17 %
Capital outlay	42,520	281,387	(238,867)	(84.89) %
Debt service	<u>83,729</u>	<u>74,326</u>	<u>9,403</u>	12.65 %
Total	<u>\$ 14,469,923</u>	<u>\$ 14,787,249</u>	<u>\$ (317,326)</u>	(2.15) %

Overall revenues decreased 0.80%. Tuition revenue increased \$430,895 or 377.37%. This increase is a result of the implementation of open enrollment by the District. Earnings on investments decreased \$235,635. This decrease can be accredited to the decrease in investments carried by the District during the fiscal year and a decrease in interest rates. Overall expenditures decreased 2.15%. The increase in facilities acquisition and construction can be attributed to additional capital improvements made during the year. The capital outlay of \$42,520 is due to the District entering into a capital lease during the fiscal year.

***Debt Service Fund***

The District's debt service fund's fund balance decreased by \$6,131,498. The debt service fund had \$1,039,234 in revenues and \$7,170,732 in expenditures and other financing uses. The decrease in fund balance can be attributed to a transfer to the classroom facilities fund to repay the short-term bond anticipation note.

***Classroom Facilities Fund***

The District's classroom facilities fund's balance increased to a balance of \$1,266,160. The classroom facilities fund had \$6,327,562 in revenues and other financing sources and \$2,732,000 in expenditures.

***General Fund Budgeting Highlights***

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

For fiscal year 2010 original budgeted revenues and other financing sources were \$14,133,013. Final budgeted revenues and other financing sources were \$14,349,128. Actual revenues and other financing sources for fiscal year 2010 were \$14,434,976 which was higher than the final budgeted revenues by \$85,848.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,131,403 were lowered to \$14,495,755 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$14,495,723, which was \$32 lower than final budgeted amounts.

**Capital Assets and Debt Administration**

***Capital Assets***

The District restated 2009 capital asset balances as described in Note 3.C. At the end of fiscal year 2010, the District had \$46,189,918 invested in land, land improvements, buildings and improvements, equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2010 balances compared to June 30, 2009:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>Restated 2009</u>
Land	\$ 462,953	\$ 462,953
CIP	-	26,572,728
Land improvements	1,248,155	1,222,017
Building and improvements	43,063,010	16,284,231
Equipment	1,075,410	798,589
Vehicles	<u>340,390</u>	<u>434,530</u>
<b>Total</b>	<b><u>\$46,189,918</u></b>	<b><u>\$45,775,048</u></b>

The overall increase in capital assets of \$414,870 is due to capital outlays of \$1,571,462 exceeding depreciation expense of \$1,156,592 in the fiscal year.

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

***Debt Administration***

At June 30, 2010, the District had \$8,695,731 in general obligation bonds and capital leases outstanding. Of this total, \$454,584 is due within one year and \$8,241,147 is due within greater than one year. See Note 9 and 10 to the basic financial statements for additional information on the District's debt administration.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

The following table summarizes the bonds and notes outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
Bonds	\$ 8,519,122	\$ 8,378,621
Capital leases	<u>176,609</u>	<u>207,528</u>
Total	<u>\$ 8,695,731</u>	<u>\$ 8,586,149</u>

**Current Financial Related Activities**

The District is on reasonably solid financial ground for the next two years. At the end of fiscal year 2010, the District had almost 3 months of unencumbered operating reserves. This financial health has been a consistent strength over the past decade; as Clinton-Massie has not had an operating levy on the ballot in over 20 years, which is very unusual given the current school funding climate in Ohio. With slow growth enrollment in the past two years, the Board decided to implement Open Enrollment in fiscal year 2010 and had an overwhelming number of applicants. The district accepted almost 90 Open Enrollment students in fiscal year 2010 which really helped prop up the declining revenue stream and has continued to remain steady into fiscal year 2011

Due to heavy funding by the state, the District is highly susceptible to any/all changes made to the school funding formula. State funding declined in fiscal year 2010 and declined further in fiscal year 2011. This apparent trend in decreased support from the state has and will continue to present challenges. Operational expenditures continue to increase at a higher rate than increases in state and local revenues. As increases in expenditures outpace revenues in future years, costs and programs must be reduced or new sources of revenues must be found. The District is currently weighing alternatives, and making various cost-conscious changes, where possible, before going to the voters to ask for more local tax dollars. However, without major reform to the state funding system, a tax levy will be needed in the near future.

The District added a new High School in fiscal year 2005, a renovated Middle School in fiscal year 2009, and a new Elementary School in fiscal year 2010. The old elementary building was partially demolished with the remaining space being available for use as needed by the District. The Warren County YMCA began leasing space in the old elementary for a daycare, and the two gymnasiums are also in use throughout the year for various sports and activities. Starting with fiscal year 2011, the District will be utilizing some of the old elementary to house two ED Units and the Alternative School which had previously been contracted out and will produce a cost savings to the District.

Academically, the District was rated as "Excellent with Distinction" by ODE for the 2009-2010 school year. Administration will continue to work diligently to retain this rating. The District strives to make good use of the financial resources it has been entrusted with and will continue to pursue excellence in every area.

**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 District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to, Clinton-Massie Local School District, Tracy Parker, Treasurer, 2556 Lebanon Road, Clarksville, Ohio 45113.



**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 6,582,846
Cash with escrow agent . . . . .	31,360
Receivables:	
Taxes . . . . .	5,591,441
Accounts . . . . .	8,384
Intergovernmental . . . . .	79,590
Accrued interest . . . . .	329
Prepayments . . . . .	17,226
Materials and supplies inventory . . . . .	30,628
Capital assets:	
Land . . . . .	462,953
Depreciable capital assets, net . . . . .	45,726,965
Total capital assets, net . . . . .	46,189,918
 Total assets . . . . .	 58,531,722
 <b>Liabilities:</b>	
Accounts payable . . . . .	112,872
Retainage payable . . . . .	31,360
Accrued wages and benefits . . . . .	1,203,781
Pension obligation payable . . . . .	381,865
Intergovernmental payable . . . . .	46,246
Unearned revenue . . . . .	4,972,874
Accrued interest payable . . . . .	34,380
Long-term liabilities:	
Due within one year . . . . .	667,014
Due within more than one year . . . . .	8,810,770
 Total liabilities . . . . .	 16,261,162
 <b>Net Assets:</b>	
Invested in capital assets, net	
of related debt . . . . .	37,635,017
Restricted for:	
Capital projects . . . . .	1,300,604
Debt service . . . . .	1,261,141
Classroom facilities maintenance . . . . .	211,622
Locally funded programs . . . . .	3,323
Federally funded programs . . . . .	15,220
Public school support . . . . .	39,687
Student activities . . . . .	54,776
Other purposes . . . . .	54,274
Unrestricted . . . . .	1,694,896
 Total net assets . . . . .	 \$ 42,270,560

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 8,449,474	\$ 660,048	\$ 119,659	\$ (7,669,767)
Special . . . . .	1,389,684	42,090	227,976	(1,119,618)
Vocational . . . . .	-	-	1,843	1,843
Other . . . . .	1,320,824	-	212,742	(1,108,082)
Support services:				
Pupil. . . . .	943,132	-	23,522	(919,610)
Instructional staff . . . . .	1,308,813	-	233,479	(1,075,334)
Board of education . . . . .	17,775	-	-	(17,775)
Administration. . . . .	1,181,712	-	42,935	(1,138,777)
Fiscal. . . . .	505,618	-	-	(505,618)
Business. . . . .	6,249	-	-	(6,249)
Operations and maintenance . . . . .	1,829,284	18,000	505,173	(1,306,111)
Pupil transportation. . . . .	1,028,501	-	35,029	(993,472)
Central . . . . .	4,040	-	5,000	960
Operation of non-instructional services:				
Food service operations . . . . .	687,645	461,725	231,512	5,592
Extracurricular activities. . . . .	581,800	188,572	1,973	(391,255)
Interest and fiscal charges . . . . .	635,371	-	-	(635,371)
Total governmental activities . . . . .	<u>\$ 19,889,922</u>	<u>\$ 1,370,435</u>	<u>\$ 1,640,843</u>	<u>(16,878,644)</u>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	4,343,244
Debt service. . . . .	873,852
Special revenue . . . . .	82,341
Grants and entitlements not restricted to specific programs . . . . .	9,211,398
Investment earnings . . . . .	25,279
Miscellaneous . . . . .	28,746
Total general revenues . . . . .	<u>14,564,860</u>
Change in net assets . . . . .	(2,313,784)
<b>Net assets at beginning of year (restated) . . .</b>	<u>44,584,344</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 42,270,560</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents. . . . .	\$ 3,702,364	\$ 1,187,973	\$ 1,261,518	\$ 430,991	\$ 6,582,846
Cash with escrow agent. . . . .	-	-	31,360	-	31,360
Receivables:					
Taxes. . . . .	4,610,663	914,344	-	66,434	5,591,441
Accounts. . . . .	5,505	-	-	2,879	8,384
Accrued interest. . . . .	329	-	-	-	329
Intergovernmental. . . . .	2,516	-	8,248	68,826	79,590
Prepayments. . . . .	17,226	-	-	-	17,226
Materials and supplies inventory. . . . .	-	-	-	30,628	30,628
Total assets . . . . .	<u>\$ 8,338,603</u>	<u>\$ 2,102,317</u>	<u>\$ 1,301,126</u>	<u>\$ 599,758</u>	<u>\$ 12,341,804</u>
<b>Liabilities:</b>					
Accounts payable. . . . .	\$ 86,872	\$ -	\$ 3,606	\$ 22,394	\$ 112,872
Retainage payable. . . . .	-	-	31,360	-	31,360
Accrued wages and benefits. . . . .	1,125,977	-	-	77,804	1,203,781
Compensated absences payable. . . . .	92,527	-	-	-	92,527
Intergovernmental payable. . . . .	41,690	-	-	4,556	46,246
Unearned revenue. . . . .	3,927,225	806,796	-	238,853	4,972,874
Deferred revenue. . . . .	336,770	53,092	-	6,434	396,296
Pension obligation payable. . . . .	358,110	-	-	23,755	381,865
Total liabilities. . . . .	<u>5,969,171</u>	<u>859,888</u>	<u>34,966</u>	<u>373,796</u>	<u>7,237,821</u>
<b>Fund Balances:</b>					
Reserved for encumbrances. . . . .	169,704	-	72,900	79,252	321,856
Reserved for supplies inventory. . . . .	-	-	-	30,628	30,628
Reserved for prepayments. . . . .	17,226	-	-	-	17,226
Reserved for property tax unavailable for appropriation. . . . .	349,513	54,456	-	6,642	410,611
Reserved for debt service. . . . .	-	1,187,973	-	-	1,187,973
Unreserved, undesignated, reported in:					
General fund. . . . .	1,832,989	-	-	-	1,832,989
Special revenue funds. . . . .	-	-	-	74,996	74,996
Capital projects funds. . . . .	-	-	1,193,260	34,444	1,227,704
Total fund balances. . . . .	<u>2,369,432</u>	<u>1,242,429</u>	<u>1,266,160</u>	<u>225,962</u>	<u>5,103,983</u>
Total liabilities and fund balances. . . . .	<u>\$ 8,338,603</u>	<u>\$ 2,102,317</u>	<u>\$ 1,301,126</u>	<u>\$ 599,758</u>	<u>\$ 12,341,804</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010

<b>Total governmental fund balances</b>		\$	5,103,983
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			46,189,918
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	393,451	
Accrued interest receivable		329	
Intergovernmental receivable		<u>2,516</u>	
Total			396,296
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(34,380)
Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(8,519,122)	
Compensated absences payable		(689,526)	
Capital lease obligations		<u>(176,609)</u>	
Total			<u>(9,385,257)</u>
<b>Net assets of governmental activities</b>		<u>\$</u>	<u>42,270,560</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 4,290,364	\$ 901,364	\$ -	\$ 81,336	\$ 5,273,064
Tuition . . . . .	545,080	-	-	-	545,080
Earnings on investments . . . . .	25,609	-	1,861	-	27,470
Charges for services . . . . .	-	-	-	454,138	454,138
Extracurricular . . . . .	-	-	-	226,005	226,005
Rental income . . . . .	18,000	-	-	-	18,000
Contributions and donations . . . . .	-	-	-	20,901	20,901
Classroom materials and fees . . . . .	1,134	-	-	97,510	98,644
Other local revenues . . . . .	28,746	-	-	28,568	57,314
Intergovernmental - intermediate . . . . .	-	-	-	4,594	4,594
Intergovernmental - state . . . . .	9,064,097	137,870	66,013	629,726	9,897,706
Intergovernmental - federal . . . . .	1,093	-	-	993,960	995,053
<b>Total revenues . . . . .</b>	<b>13,974,123</b>	<b>1,039,234</b>	<b>67,874</b>	<b>2,536,738</b>	<b>17,617,969</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	6,357,922	-	-	278,670	6,636,592
Special . . . . .	879,411	-	-	350,242	1,229,653
Other . . . . .	930,100	-	-	237,594	1,167,694
Support services:					
Pupil . . . . .	950,357	-	-	20,164	970,521
Instructional staff . . . . .	878,638	-	-	273,133	1,151,771
Board of education . . . . .	17,775	-	-	-	17,775
Administration . . . . .	978,889	-	-	42,935	1,021,824
Fiscal . . . . .	446,529	20,844	-	2,248	469,621
Business . . . . .	6,249	-	-	-	6,249
Operations and maintenance . . . . .	1,009,964	-	-	566,835	1,576,799
Pupil transportation . . . . .	929,337	-	-	-	929,337
Central . . . . .	23	-	-	4,995	5,018
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	679,237	679,237
Extracurricular activities . . . . .	369,469	-	-	182,403	551,872
Facilities acquisition and construction . . . . .	589,011	-	2,658,723	250	3,247,984
Capital outlay . . . . .	42,520	-	-	-	42,520
Debt service:					
Principal retirement . . . . .	73,439	339,499	-	-	412,938
Interest and fiscal charges . . . . .	10,290	550,701	73,277	-	634,268
<b>Total expenditures . . . . .</b>	<b>14,469,923</b>	<b>911,044</b>	<b>2,732,000</b>	<b>2,638,706</b>	<b>20,751,673</b>
Excess/(deficiency) of revenues over/(under) expenditures . . . . .	(495,800)	128,190	(2,664,126)	(101,968)	(3,133,704)
<b>Other financing sources (uses):</b>					
Sale of bonds . . . . .	480,000	-	-	-	480,000
Transfers in . . . . .	-	-	6,259,688	-	6,259,688
Transfers (out) . . . . .	-	(6,259,688)	-	-	(6,259,688)
Capital lease transaction . . . . .	42,520	-	-	-	42,520
<b>Total other financing sources (uses) . . . . .</b>	<b>522,520</b>	<b>(6,259,688)</b>	<b>6,259,688</b>	<b>-</b>	<b>522,520</b>
Net change in fund balances . . . . .	26,720	(6,131,498)	3,595,562	(101,968)	(2,611,184)
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<b>2,342,712</b>	<b>7,373,927</b>	<b>(2,329,402)</b>	<b>327,930</b>	<b>7,715,167</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 2,369,432</b>	<b>\$ 1,242,429</b>	<b>\$ 1,266,160</b>	<b>\$ 225,962</b>	<b>\$ 5,103,983</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Net change in fund balances - total governmental funds** \$ (2,611,184)

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

Governmental funds report capital outlays as expenditures.

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

Capital asset additions	\$	1,571,462	
Current year depreciation		(1,156,592)	
Total			414,870

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

Taxes		26,373	
Earnings on investments		(2,191)	
Intergovernmental		(63,497)	
Total			(39,315)

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

412,938

Proceeds of capital lease transactions are recorded as other financing sources in the funds, however, in the statement of activities, they are not reported as other financing sources as they increase the liabilities on the statement of net assets.

(42,520)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.

(1,103)

The sale of bonds is recorded as an other financing source in the governmental funds, however, the proceeds increase long-term liabilities on the statement of net assets.

(480,000)

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

32,530

**Change in net assets of governmental activities** \$ (2,313,784)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,008,104	\$ 3,988,104	\$ 4,200,317	\$ 212,213
Tuition . . . . .	388,600	594,952	545,080	(49,872)
Earnings on investments . . . . .	149,539	149,539	49,003	(100,536)
Classroom materials and fees . . . . .	3,800	3,800	1,124	(2,676)
Rental income . . . . .	-	18,000	18,000	-
Other local revenues . . . . .	18,870	18,870	25,086	6,216
Intergovernmental - state . . . . .	9,428,100	9,034,213	9,064,096	29,883
Intergovernmental - federal . . . . .	-	-	1,093	1,093
Total revenues . . . . .	<u>13,997,013</u>	<u>13,807,478</u>	<u>13,903,799</u>	<u>96,321</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	11,453,124	10,971,995	6,411,051	4,560,944
Special . . . . .	353,421	338,574	885,579	(547,005)
Other . . . . .	791,519	758,268	938,200	(179,932)
Support Services:				
Pupil . . . . .	112,357	107,637	930,462	(822,825)
Instructional staff . . . . .	174,547	167,215	895,913	(728,698)
Board of education . . . . .	20,187	19,339	17,641	1,698
Administration . . . . .	100,235	96,024	962,830	(866,806)
Fiscal . . . . .	216,829	207,720	451,561	(243,841)
Business . . . . .	5,056	4,844	6,523	(1,679)
Operations and maintenance . . . . .	551,564	528,394	1,052,028	(523,634)
Pupil transportation . . . . .	285,935	273,923	928,881	(654,958)
Central . . . . .	2,098	2,010	38	1,972
Extracurricular activities . . . . .	27,645	26,484	380,403	(353,919)
Facilities acquisition and construction . . . . .	995,132	953,328	594,404	358,924
Total expenditures . . . . .	<u>15,089,649</u>	<u>14,455,755</u>	<u>14,455,514</u>	<u>241</u>
Excess of expenditures over revenues . . . . .	<u>(1,092,636)</u>	<u>(648,277)</u>	<u>(551,715)</u>	<u>96,562</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	120,000	49,650	44,574	(5,076)
Refund of prior year's receipts . . . . .	(41,754)	(40,000)	(40,209)	(209)
Sale of bonds . . . . .	-	480,000	480,000	-
Sale of capital assets . . . . .	16,000	12,000	6,603	(5,397)
Total other financing sources (uses) . . . . .	<u>94,246</u>	<u>501,650</u>	<u>490,968</u>	<u>(10,682)</u>
Net change in fund balance . . . . .	(998,390)	(146,627)	(60,747)	85,880
<b>Fund balance at beginning of year . . . . .</b>	<b>3,352,338</b>	<b>3,352,338</b>	<b>3,352,338</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>160,062</b>	<b>160,062</b>	<b>160,062</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 2,514,010</u></b>	<b><u>\$ 3,365,773</u></b>	<b><u>\$ 3,451,653</u></b>	<b><u>\$ 85,880</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 71,522	\$ 23,323
Receivables:		
Accounts . . . . .	-	18
Total assets . . . . .	71,522	\$ 23,341
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 705
Due to students . . . . .	-	22,636
Total current liabilities . . . . .	-	23,341
Total liabilities . . . . .	-	\$ 23,341
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	71,522	
Total net assets . . . . .	\$ 71,522	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 7,002
Gifts and contributions . . . . .	2,599
Total additions. . . . .	9,601
<b>Deductions:</b>	
Scholarships awarded . . . . .	3,750
Change in net assets. . . . .	5,851
<b>Net assets at beginning of year . . . . .</b>	<b>65,671</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 71,522</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**This page intentionally left blank.**

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Clinton-Massie Local School District (the "District") was originally organized in 1959. The District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by State and/or federal agencies. This Board controls the District's one instructional facility (high school, middle school and elementary school) and one support facility (bus garage) staffed by 89 non-certified and 114 certified teaching personnel and 11 administrative employees to provide service to 1,754 students and other community members.

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

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

**A Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

The Clinton County Consortium

The Clinton County Consortium (the "Consortium") is made up of Clinton-Massie Schools, East Clinton Schools, and the Southern Ohio Educational Service District. These District's and CoreSource of Columbus have entered into an agreement to establish an employee welfare benefit plan which sets forth the procedure by which eligible employees of these participating employers can secure dental and life insurance. The monthly premiums are jointly paid by the employers and employees according to local, negotiated agreements and board policies. The district superintendents govern the Consortium and CoreSource administers the payment of claims. Employers participating in this plan are political subdivisions of the State of Ohio. The plan qualifies as a governmental plan as defined by Section 3(32) of the Employee Retirement Income Security Act of 1974 (ERISA) and is therefore exempt from ERISA requirements. Financial information for the participating boards of education for the year ended June 30, 2010, are available in each district.

Southwest Ohio Computer Association (SWOCA)

SWOCA is a jointly governed organization among a three-county consortium of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge, dependent upon the software package utilized.

The Governing Board of SWOCA is comprised of the superintendent of each of the member districts, plus one representative from the fiscal agent. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained from K. Michael Crumley, who serves as Director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

*INSURANCE PURCHASING POOL*

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust (EPC)

The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative (EPC). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products, including BWC coverage, to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross Blue Shield or United Health Care. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. Financial information can be obtained from Barbara Coriell, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive Suite 208, Vandalia, OH 45377-1171.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**B Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

*Debt service fund* - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds.

*Classroom facilities fund* - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

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

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

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

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

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

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

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

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

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2010, are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource and are not to be repaid. However, the District elected to budget these temporary resources anyway. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by Board. The legal level of control has been established by Board at the fund level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts of the budgetary statement reflect the amounts on the final certificate of estimated resources issued during the fiscal year 2010.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2010.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2010, investments were limited to federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposits, are reported at cost.

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the building capital projects fund. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$25,609, which includes \$14,523 assigned from other District funds.

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



**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**G. Inventory**

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains its capitalization threshold at \$5,000. 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. The District does not possess infrastructure.

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>Governmental Activities Estimated Lives</u>
Land Improvements	20 years
Buildings and improvements	20 - 50 years
Equipment	5 - 20 years
Vehicles	8 years

**I. Interfund Balances**

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

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service; or 20 years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The District's policies regarding compensated absences are determined by the State laws and/or negotiated agreements. In summary, the policies are as follows:

<u>VACATION</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certified</u>
How earned	Not eligible	20 days at start of each contract year	10-20 days depending on length of service
Maximum accumulation	Not applicable	2 years	1 year
Vested	Not applicable	As earned	As earned
Termination entitlement	Not applicable	Unused balance upon termination	Unused balance upon termination

**SICK LEAVE**

How earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)
Maximum accumulation	200 days	220-248 days depending on contract	200 days
Vested	As earned	As earned	As earned
Termination entitlement	Per contract	Per policy	Per policy

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, matured compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements when they mature or, for pension contributions, when the service is rendered. Bonds are recognized as a liability on the fund financial statements when due.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation and debt service. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted for food service operations, and the uniform school supplies fund (a nonmajor governmental fund).

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

**N. Estimates**

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

**O. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are eliminated on 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 basic financial statements.

**P. Restricted Assets**

Restricted assets in the general fund represent cash and investments set-aside to establish a budget stabilization reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 17.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information systems	\$ 19
IDEA Part-B	167,783
Title I - disadvantaged children	16,897
IDEA - preschool grant for the handicapped	499

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

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Prior Period Adjustments**

Due to an error in reporting the Ohio Schools Facilities Commission receivable as well as errors and omissions in capital assets in the previous year the beginning net assets will be restated and have the following effect:

	Governmental Activities
Net assets as previously reported	\$ 48,069,164
OSFC receivable adjustment	(3,500,000)
Capital asset adjustment	15,180
Restated net assets of July 1, 2009	\$ 44,584,344

See Note 8 for the effect of the change on capital assets balances as previously reported by the District at June 30, 2009.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At year end, the District had \$4,000 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**B. Cash with Escrow Agent**

At fiscal year end, \$31,360 was on deposit with an escrow agent for retainage held as part of the District's construction contracts. This amount is not included in the total amount of deposits reported below and is reported on the financial statements as "cash with escrow agent".

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$6,608,447. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$6,366,706 of the District's bank balance of \$6,616,706 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds. Deposits covered by this collateral are considered to be exposed to custodial risk because they are not held in the District's name. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity Greater than 24 months</u>
FNMA	\$ 65,244	\$ 65,244

The weighted average maturity of investments is 4.75 years.

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

*Credit Risk:* The District's investments in federal agency securities were rated AAA and Aaa by Standard and Poor's and Moody's Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.



**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 65,244	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,608,447
Investments	65,244
Cash with escrow agent	31,360
Cash on hand	<u>4,000</u>
Total	<u>\$ 6,709,051</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,614,206
Private-purpose trust fund	71,522
Agency fund	<u>23,323</u>
Total	<u>\$ 6,709,051</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from debt service fund to:	
Classroom facilities fund	<u>\$ 6,259,688</u>

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

The transfer from the debt service fund to the classroom facilities fund was to move the debt payment on the bond anticipation note to the proper fund in which the liability was recorded.

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. 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 District prior to June 30.

The District receives property taxes from Clinton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$349,513 in the general fund, \$54,456 in the debt service fund and \$6,642 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$259,466 in the general fund, \$76,315 in the debt service fund and \$4,906 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 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 to unearned revenue.

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

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 224,208,740	96.64	\$ 221,258,000	96.47
Public utility personal	<u>7,788,000</u>	<u>3.36</u>	<u>8,106,570</u>	<u>3.53</u>
Total	<u>\$ 231,996,740</u>	<u>100.00</u>	<u>\$ 229,364,570</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$34.00		\$31.25	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 5,591,441
Accounts	8,384
Intergovernmental	79,590
Accrued interest	<u>329</u>
Total	<u>\$ 5,679,744</u>

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

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 - CAPITAL ASSETS**

- A. Capital assets of the governmental activities have been restated due to errors and omissions in the previous year. The restatement had the following effect on the governmental activities capital asset balances as previously reported:

	Balance		Restated
	<u>July 1, 2009</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>June 30, 2010</u>
<b>Governmental Activities:</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 462,953	\$ -	\$ 462,953
Constuction in progress	<u>26,572,728</u>	<u>-</u>	<u>26,572,728</u>
Total capital assets, not being depreciated	<u>27,035,681</u>	<u>-</u>	<u>27,035,681</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,940,442	(29,473)	1,910,969
Buildings and improvements	23,796,946	(108,012)	23,688,934
Equipment	1,417,763	168,902	1,586,665
Vehicles	<u>1,583,947</u>	<u>(166,167)</u>	<u>1,417,780</u>
Total capital assets, being depreciated	<u>28,739,098</u>	<u>(134,750)</u>	<u>28,604,348</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	(686,371)	(2,581)	(688,952)
Buildings and improvements	(7,107,642)	(297,061)	(7,404,703)
Equipment	(1,062,937)	274,861	(788,076)
Vehicles	<u>(1,157,961)</u>	<u>174,711</u>	<u>(983,250)</u>
Total accumulated depreciation	<u>(10,014,911)</u>	<u>149,930</u>	<u>(9,864,981)</u>
Governmental activities capital assets, net	<u>\$ 45,759,868</u>	<u>\$ 15,180</u>	<u>\$ 45,775,048</u>

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Restated Balance			Balance
	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 462,953	\$ -	\$ -	\$ 462,953
Constuction in progress	<u>26,572,728</u>	<u>1,044,117</u>	<u>(27,616,845)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>27,035,681</u>	<u>1,044,117</u>	<u>(27,616,845)</u>	<u>462,953</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,910,969	118,640	-	2,029,609
Buildings and improvements	23,688,934	27,616,845	-	51,305,779
Equipment	1,586,665	403,705	-	1,990,370
Vehicles	<u>1,417,780</u>	<u>5,000</u>	<u>-</u>	<u>1,422,780</u>
Total capital assets, being depreciated	<u>28,604,348</u>	<u>28,144,190</u>	<u>-</u>	<u>56,748,538</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(688,952)	(92,502)	-	(781,454)
Buildings and improvements	(7,404,703)	(838,066)	-	(8,242,769)
Equipment	(788,076)	(126,884)	-	(914,960)
Vehicles	<u>(983,250)</u>	<u>(99,140)</u>	<u>-</u>	<u>(1,082,390)</u>
Total accumulated depreciation	<u>(9,864,981)</u>	<u>(1,156,592)</u>	<u>-</u>	<u>(11,021,573)</u>
Governmental activities capital assets, net	<u>\$ 45,775,048</u>	<u>\$ 28,031,715</u>	<u>\$ (27,616,845)</u>	<u>\$ 46,189,918</u>

**C.** Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 951,159
Special	1,722
<u>Support services:</u>	
Instructional staff	11,708
Administration	23,639
Fiscal	12,724
Operations and maintenance	10,467
Pupil transportation	102,320
Extracurricular activities	30,144
Food service operations	<u>12,709</u>
Total depreciation expense	<u>\$ 1,156,592</u>

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Equipment in the amount of \$281,387 has not been capitalized since the assets do not meet the District's capitalization threshold while \$42,520 has been capitalized as a capital asset. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2010 totaled \$73,439 paid by the general fund.

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

<u>Fiscal Year Ending June 30,</u>	
2011	\$ 86,865
2012	86,864
2013	12,539
2014	<u>3,134</u>
Total minimum lease payments	189,402
Less amount representing interest	<u>(12,793)</u>
Total	<u>\$ 176,609</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2010</u>	Amounts Due in <u>One Year</u>
General obligation bonds:					
1998 Refunding Bonds	\$ 268,621	\$ -	\$ (94,499)	\$ 174,122	\$ 90,401
2001 High School	8,110,000	-	(245,000)	7,865,000	255,000
2009 Qualified School Construction Bonds	-	480,000	-	480,000	30,000
Capital lease	207,528	42,520	(73,439)	176,609	79,183
Compensated absences	<u>722,056</u>	<u>184,677</u>	<u>(124,680)</u>	<u>782,053</u>	<u>212,430</u>
Total governmental activities	<u>\$ 9,308,205</u>	<u>\$ 707,197</u>	<u>\$ (537,618)</u>	<u>\$ 9,477,784</u>	<u>\$ 667,014</u>

Compensated Absences: Compensated absences will be paid from the funds from which the person is paid, which, for the District, are primarily the general fund and the food service fund (a nonmajor governmental fund).

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

*Capital Lease Obligations:* Capital lease obligations are paid from the general fund (See Note 9).

*1998 Refunding Bonds:* The District issued general obligation bonds on October 1, 1990 for building additions. These bonds have an interest rate of 7.20% and will mature on December 1, 2011. Principal and interest are paid from the debt service fund.

*2001 High School Bonds:* The District issued \$10,275,000 in general obligation bonds on May 1, 2002 for construction of a high school. The interest rate on these bonds ranges from 3.25% to 5.00% and the bonds will mature on December 1, 2029. Principal and interest are paid from the debt service fund.

*Qualified School Construction Bonds:* The Qualified School Construction Bonds were issued on November 6, 2009 and bear an interest rate of 1.85%. The bonds mature on September 15, 2024.

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ending June 30,	2001 High School Bonds			Fiscal Year Ending June 30,	2009 Qualified School Construction Bonds		
	Principal	Interest	Total		Principal	Interest	Total
2011	\$ 255,000	\$ 370,322	\$ 625,322	2011	\$ 30,000	\$ 8,603	\$ 38,603
2012	265,000	359,789	624,789	2012	30,000	8,048	38,048
2013	280,000	354,357	634,357	2013	30,000	7,492	37,492
2014	280,000	347,358	627,358	2014	30,000	6,938	36,938
2015	290,000	332,382	622,382	2015	30,000	6,382	36,382
2016 - 2020	1,705,000	1,414,273	3,119,273	2016 - 2020	155,000	23,541	178,541
2021 - 2025	2,180,000	935,401	3,115,401	2021 - 2025	175,000	8,094	183,094
2026 - 2030	2,610,000	324,000	2,934,000	Total	\$ 480,000	\$ 69,098	\$ 549,098
Total	\$ 7,865,000	\$ 4,437,882	\$ 12,302,882				

Fiscal Year Ending June 30,	1998 Refunding Bonds		
	Principal	Interest	Total
2011	\$ 90,401	\$ 179,599	\$ 270,000
2012	83,721	181,287	265,008
Total	\$ 174,122	\$ 360,886	\$ 535,008

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$13,308,910 (including available funds of \$1,242,429) and an unvoted debt margin of \$228,729.

**NOTE 11 - SHORT-TERM NOTE PAYABLE**

A summary of the governmental activities short-term notes payable transactions for fiscal year 2010 follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance June 30, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2010</u>
<b>Bond Anticipation Notes:</b>							
Notes Series 2009	11/18/08	11/18/09	3.125	\$ 6,070,000	\$ -	\$ (6,070,000)	\$ -

On November 18, 2008, the District issued \$6,070,000 in bond anticipation notes. The notes bore an interest rate of 3.125% and matured on November 18, 2009.

**NOTE 12 - RISK MANAGEMENT**

**Comprehensive**

The 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 district contracted with Arthur J Gallagher & Co., through the Southwestern Ohio Educational Purchasing Council for property, general liability and auto insurance.

Professional liability is protected by Arthur J. Gallagher, with \$1,000,000 each occurrence, \$3,000,000 aggregate limit. Vehicles are covered with \$1,000 deductible for comprehensive and \$1,000 deductible for collision.

Public officials' bond insurance is provided by NB&T Insurance. The Treasurer is covered by a bond in the amount of \$15,000. All administrative assistants, accounts payable, student activity, and other District personnel are covered by a blanket employee bond of \$50,000.

Since January 1, 2008, the District health insurance has been a High Deductible Health Plan provided by Humana, coupled with a partially employer-funded Health Savings Account (HSA). Employee dental benefits were provided throughout the year by Delta Dental, and were also purchased through the EPC.



**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There was no significant reduction in coverage from the prior year.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$270,480, \$203,462 and \$195,408, respectively; 43.98 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

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

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 13 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$915,178, \$912,062 and \$881,608, respectively; 83.36 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 \$47,007 made by the District and \$33,576 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System 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 St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$43,473, \$125,328 and \$131,709, respectively; 43.98 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 B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$16,085, \$16,787 and \$14,080, respectively; 43.98 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$70,398, \$70,159 and \$67,816, respectively; 83.36 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

<b>Net Change in Fund Balance</b>	<u>General fund</u>
Budget basis	\$ (60,747)
Net adjustment for revenue accruals	70,324
Net adjustment for expenditure accruals	(264,863)
Net adjustment for other sources/uses	31,552
Adjustment for encumbrances	<u>250,454</u>
GAAP basis	<u>\$ 26,720</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 17 - STATUTORY RESERVES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the District was also required to set-aside money for budget stabilization.. State statute includes specific purposes for which the monies representing BWC refunds can be used. During fiscal year 2010, the District spent the remaining budget stabilization funds.

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 17 - STATUTORY RESERVES - (Continued)**

During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	Budget <u>Stabilization</u>
Set-aside balance as of June 30, 2009	\$ (575,347)	\$ -	\$ 43,584
Current year set-aside requirement	295,312	295,312	-
Current year offset	-	(245,000)	-
Qualifying disbursements	<u>(317,808)</u>	<u>(668,629)</u>	<u>(43,584)</u>
Total	<u>\$ (597,843)</u>	<u>\$ (618,317)</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2011	<u>\$ (597,843)</u>	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements during the fiscal year that reduced the textbooks/instructional materials set-aside amount below zero. This amount may be used to reduce the set-aside requirement of future years. Although the District had qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, these extra amounts may not be used to reduce the set-aside requirement in future fiscal years.

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As a result of the Ohio Schools Facilities Project that was in progress at June 30, 2010, the District had the following outstanding contractual commitments at fiscal year end:

<u>Vendor</u>	Contract <u>Amount</u>	Amount <u>Paid</u>	Amount <u>Outstanding</u>
Amburgy Properties	\$ 41,170	\$ -	\$ 41,170
Motz Group	<u>442,900</u>	<u>-</u>	<u>442,900</u>
Total	<u>\$ 484,070</u>	<u>\$ -</u>	<u>\$ 484,070</u>

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE of FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed through Ohio Department of Education:</i>					
Food Distribution Program	10.550	\$ -	\$ 20,633	\$ -	\$ 20,633
Nutrition Cluster:					
National School Breakfast Program	10.553	19,037	----	19,037	----
National School Lunch	10.555	174,827	----	174,827	----
<b>Total U.S. Department of Agriculture</b>		<b>193,864</b>	<b>20,633</b>	<b>193,864</b>	<b>20,633</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title I - FY10	84.010	131,281		131,281	
Title I - FY09		17,321	----	17,321	----
ARRA - Title I	84.389	68,112		68,112	
<i>Total Title I</i>		216,714	-	216,714	-
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY10	84.027	273,054		272,683	
IDEA Part B - FY09		45,023	----	45,023	----
ARRA - IDEA Part B	84.391	342,093		342,093	
Educational Handicapped Preschool					
Preschool Subsidy - FY10	84.173	2,965	----	2,965	----
Preschool Subsidy - Prof. Dev.		900		900	
ARRA - Preschool Subsidy	84.392	6,704	----	6,704	----
<i>Total Special Education Cluster</i>		670,739	-	670,368	-
Drug Free Schools					
Drug Free Education - Subsidy - FY10	84.186	415		-	
Drug Free Education - Subsidy - FY09		2,107		2,107	----
<i>Total Drug Free School Grants</i>		2,522	-	2,107	-
Additional Programs:					
Educational Technology - FY10	84.318	1,376	----	1,372	----
Improving Teacher Quality - FY10	84.367	55,949		55,949	
Improving Teacher Quality - FY09		9,852	----	9,852	----
ARRA-State Fiscal Stabilization Fund (SFSF)	84.394	568,926	-	568,926	-
<i>Total Additional Programs</i>		636,103		636,099	
<i>Passed through Great Oaks Institute of Technology and Career Development</i>					
Vocational Education Basic Grants to States					
Career Education - FY10	84.048	4,594		-	
Career Education - FY09		1,148	----	1,333	----
<i>Total Vocational Education</i>		5,742		1,333	
<b>Total Department of Education</b>		<b>1,531,820</b>	<b>-</b>	<b>1,526,621</b>	<b>-</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>\$ 1,725,684</b>	<b>\$ 20,633</b>	<b>\$ 1,720,485</b>	<b>\$ 20,633</b>

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

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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





# Dave Yost • Auditor of State

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

Clinton-Massie Local School District  
Clinton County  
2556 Lebanon Road  
Clarksville, Ohio 45113

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 Clinton-Massie Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 13, 2011.

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

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

**Dave Yost**  
Auditor of State

January 13, 2011



# Dave Yost • Auditor of State

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

Clinton-Massie Local School District  
Clinton County  
2556 Lebanon Road  
Clarksville, Ohio 45113

To the Board of Education:

### Compliance

We have audited the compliance of Clinton-Massie Local School District, Clinton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Clinton-Massie 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 District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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

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

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

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



**Dave Yost**  
Auditor of State

January 13, 2011

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**This Page is Intentionally Left Blank.**



# Dave Yost • Auditor of State

CLINTON-MASSIE LOCAL SCHOOL DISTRICT

CLINTON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 3, 2011