



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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CLAY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Clay Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 27, 2012

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**CLAY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

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

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

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

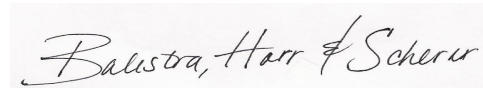
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay Local School District, Scioto County, Ohio as of June 30, 2011, 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 20, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America required 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 School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures 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. This statement 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.

As described in Note 21, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Balestra, Harr & Scherer, CPAs, Inc.
January 20, 2012

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

Financial Highlights

- Net Assets of governmental activities increased \$339,938, which is an insignificant increase
- General Revenues accounted for \$4,317,661. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,482,079 of total revenues of \$6,799,740.
- The School District had \$6,459,802 in expenses related to governmental activities; only \$2,482,079 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General Revenues (primarily grants, entitlements and property taxes) of \$4,317,661 were adequate enough to provide for these programs.

Using the Basic Financial Statements

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

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

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2011?”

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal years 2011 and 2010:

(Table 1)
Net Assets

	Governmental Activities		Increase/ (Decrease)
	2011	2010	
Assets			
Current Assets	\$11,647,264	\$24,856,527	(\$13,209,263)
Capital Assets, Net	20,581,479	4,227,434	16,354,045
Total Assets	32,228,743	29,083,961	3,144,782
Liabilities			
Other Liabilities	5,543,930	2,681,433	2,862,497
Long-Term Liabilities	5,951,319	6,008,972	(57,653)
Total Liabilities	11,495,249	8,690,405	2,804,844
Net Assets			
Invested in Capital Assets, Net of Related Debt	16,744,266	4,153,434	12,590,832
Restricted	4,232,743	16,672,355	(12,439,612)
Unrestricted (Deficit)	(243,515)	(432,233)	188,718
Total Net Assets	\$20,733,494	\$20,393,556	\$339,938

Total Assets of governmental activities increased \$3,144,782. This increase is reflected primarily in Capital Assets, Net which increased \$16,354,045 due to an increase in Construction in Progress relating to the construction of the School District's new facility. Current Assets demonstrated a significant decrease as a result of the School District utilizing revenues received during the prior fiscal year for the construction of its new facility.

Total Liabilities also had a significant increase of \$2,804,844 for fiscal year 2011 when compared to the prior fiscal year. This increase was primarily due to an increase in Contracts Payable related to the School District's construction project.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Invested in Capital Assets, Net of Related Debt for governmental activities increased \$12,590,832. The increase is due to construction in progress relating to the classroom facilities project. Restricted Net Assets decreased \$12,439,612 as a result of the School District utilizing resources to pay expenses related to the construction project. Unrestricted Net Assets for governmental activities increased \$188,718 as a result the School District actually receiving grant monies more timely than in the previous fiscal year. Such monies were available to cover current fiscal year expenses versus the School District having to utilize unrestricted net assets to cover such expenses in the past until the grant monies were received.

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

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

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

(Table 2)
Change in Net Assets

	Governmental Activities		Increase/ (Decrease)
	2011	2010	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,432,729	\$1,266,632	\$166,097
Operating Grants, Contributions, and Interest	1,049,350	1,054,627	(5,277)
Total Program Revenues	2,482,079	2,321,259	160,820
General Revenues:			
Property Taxes Levied for:			
General Purposes	931,596	938,367	(6,771)
Debt Service	286,746	289,132	(2,386)
Other Purposes	22,291	22,947	(656)
Grants and Entitlements not			
Restricted to Specific Programs	2,876,941	4,260,078	(1,383,137)
Contributions and Donations	1,000	6,592	(5,592)
Investment Earnings	39,820	39,984	(164)
Miscellaneous	159,267	137,923	21,344
Total General Revenues	4,317,661	5,695,023	(1,377,362)
Total Revenues	\$6,799,740	\$8,016,282	(\$1,216,542)

(continued)

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

(Table 2)
Change in Net Assets
(continued)

	Governmental Activities		Increase/ (Decrease)
	2011	2010	
Program Expenses			
Instruction:			
Regular	\$3,130,863	\$3,421,408	(\$290,545)
Special	551,385	533,852	17,533
Vocational	2,142	17,342	(15,200)
Student Intervention Services	2,791	20,090	(17,299)
Support Services:			
Pupils	264,510	284,257	(19,747)
Instructional Staff	409,114	436,280	(27,166)
Board of Education	20,279	23,377	(3,098)
Administration	567,800	516,220	51,580
Fiscal	143,200	225,350	(82,150)
Operation and Maintenance of Plant	339,669	454,254	(114,585)
Pupil Transportation	274,180	297,636	(23,456)
Central	7,651	7,343	308
Operation of Non-Instructional Services:			
Food Service Operations	312,717	297,920	14,797
Extracurricular Activities	155,105	121,950	33,155
Interest and Fiscal Charges	278,396	276,392	2,004
Total Expenses	<u>6,459,802</u>	<u>6,933,671</u>	<u>(473,869)</u>
Change in Net Assets	339,938	1,082,611	(742,673)
Net Assets at Beginning of Year	<u>20,393,556</u>	<u>19,310,945</u>	<u>1,082,611</u>
Net Assets at End of Year	<u>\$20,733,494</u>	<u>\$20,393,556</u>	<u>\$339,938</u>

Governmental Activities

Program Revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues were \$2,482,079 of Total Revenues for fiscal year 2011 and varied insignificantly from fiscal year 2010.

As previously mentioned, General Revenues were \$4,317,661 of total revenues for fiscal year 2011 and were significantly less than the prior fiscal year. Grants and Entitlements Not Restricted to Specific Programs decreased \$1,383,137 from the prior fiscal year. This decrease resulted from the School District reporting its Ohio School Facilities Grant award during the previous fiscal year.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

As should be expected, Instruction costs represent the largest of the School District's expenses, \$3,687,181 for fiscal year 2011. Total Instruction costs decreased \$305,511. The largest decrease was in the Regular Instruction program which decreased \$290,545. The Instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including Pupils, Instructional Staff, and Pupil Transportation account for \$947,804 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of \$339,669 and decreased from the prior fiscal year as a result of the School District capitalizing expenses from this account during the current fiscal year.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,037,333 and expenditures of \$22,867,297. The net change in fund balance for the fiscal year was most significant in the Ohio School Facilities Construction Project Capital Projects Fund, a decrease of \$6,056,119 which was the result of the School District expending significant resources during the current fiscal year that were received in the prior fiscal year relating to the Ohio School Facilities Commission Grant.

The General Fund balance increased \$165,772. This was primarily the result of an increase in revenues received by the School District through State foundation.

General Fund - Budget Highlights

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

During the course of fiscal year 2011, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A review of the budgetary comparison statement for the General Fund reflects an increase of \$174,216 between the original budget and final budget basis revenue, which is insignificant. This increase is primarily the result of the School District initially estimating to receive greater monies through its State foundation settlements. No change existed for revenues from the final budget to actual revenues received during the fiscal year.

Final estimated expenditures were \$5,039,218, with original estimated expenditures of \$5,313,592. This difference of \$274,374 was due primarily to the School District attempting to monitor expenditures more closely throughout the fiscal year. No change existed for expenditures from the final budget to actual expenditures made during the fiscal year.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Capital Assets

At the end of fiscal year 2011, the School District had \$20,581,479 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, textbooks and vehicles. The increase was due to construction in progress relating to the School District's continued progress on the construction of its new facility.

For more information on capital assets, refer to Note 9 in the notes to the basic financial statements.

Debt

At June 30, 2011, the School District's outstanding debt obligations included general obligation bonds of \$5,155,000. The bonds will be fully retired in fiscal year 2037. The School District also had an outstanding lease-purchase agreement for new school buses in the amount of \$95,000. The School District's long-term obligations also included a premium and accretion on the general obligation bonds and compensated absences.

The School District's overall legal debt margin was (\$192,938) with an unvoted debt margin of \$53,825 at June 30, 2011.

For more detailed information on debt, refer to Note 15 in the notes to the basic financial statements.

Current Issues

The Clay Local School District is currently in the construction phase of the Ohio School Facilities Commission project to construct its new facilities. The Clay Local School District is also proud of its student accomplishments. The School District as a whole achieved an Effective rating on its 2009-2010 report card with the individual buildings receiving the following ratings: Clay High School: Effective; Rubyville Elementary School: Effective; and Rosemount Primary School: Excellent.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Contacting the School District's Financial Management

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

CLAY LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$980,389
Cash and Cash Equivalents	3,345,475
Cash and Cash Equivalents with Escrow Agent	308,572
Investments	5,237,976
Materials and Supplies Inventory	10,240
Inventory Held for Resale	7,007
Accrued Interest Receivable	493
Prepaid Items	5,702
Property Taxes Receivable	1,400,250
Intergovernmental Receivable	237,149
Deferred Charges	114,011
Capital Assets:	
Land	36,900
Construction in Progress	19,355,327
Depreciable Capital Assets, Net	<u>1,189,252</u>
<i>Total Assets</i>	<u>32,228,743</u>
<u>Liabilities:</u>	
Accounts Payable	4,730
Contracts Payable	3,347,170
Accrued Wages and Benefits Payable	426,181
Intergovernmental Payable	168,314
Accrued Interest Payable	20,487
Retainage Payable	395,043
Deferred Revenue	1,182,005
Long-Term Liabilities:	
Due Within One Year	146,659
Due in More Than One Year	<u>5,804,660</u>
<i>Total Liabilities</i>	<u>11,495,249</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	16,744,266
Restricted for Capital Outlay	4,087,355
Restricted for Other Purposes	134,711
Restricted for Set Asides	10,677
Unrestricted (Deficit)	<u>(243,515)</u>
<i>Total Net Assets</i>	<u><u>\$20,733,494</u></u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Revenue and Changes in Net Assets
				Total Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$3,130,863	\$1,263,179	\$147,867	(\$1,719,817)
Special	551,385	17,553	482,700	(51,132)
Vocational	2,142	0	5,742	3,600
Student Intervention Services	2,791	0	0	(2,791)
Support Services:				
Pupils	264,510	0	7,282	(257,228)
Instructional Staff	409,114	0	168,831	(240,283)
Board of Education	20,279	0	0	(20,279)
Administration	567,800	0	0	(567,800)
Fiscal	143,200	0	0	(143,200)
Operation and Maintenance of Plant	339,669	0	0	(339,669)
Pupil Transportation	274,180	0	3,127	(271,053)
Central	7,651	0	5,000	(2,651)
Operation of Non-Instructional Services:				
Food Service Operations	312,717	85,004	215,111	(12,602)
Extracurricular Activities	155,105	66,993	13,690	(74,422)
Interest and Fiscal Charges	278,396	0	0	(278,396)
Total Governmental Activities	\$6,459,802	\$1,432,729	\$1,049,350	(3,977,723)

General Revenues:

Property Taxes Levied for:	
General Purposes	931,596
Debt Service	286,746
Other Purposes	22,291
Grants and Entitlements not	
Restricted to Specific Programs	2,876,941
Contributions and Donations	1,000
Investment Earnings	39,820
Miscellaneous	159,267
Total General Revenues	4,317,661
Change in Net Assets	339,938
Net Assets at Beginning of Year - As Restated (See Note 21)	20,393,556
Net Assets at End of Year	\$20,733,494

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2011

	General	Ohio School Facilities Construction Project	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$632,827	\$0	\$336,885	\$969,712
Cash and Cash Equivalents	0	3,338,222	7,253	3,345,475
Investments	0	4,318,246	919,730	5,237,976
Receivables:				
Property Taxes	1,051,645	0	348,605	1,400,250
Intergovernmental	0	109,885	127,264	237,149
Accrued Interest	0	87	406	493
Interfund	34,903	0	0	34,903
Prepaid Items	5,001	701	0	5,702
Materials and Supplies Inventory	8,828	0	1,412	10,240
Inventory Held for Resale	0	0	7,007	7,007
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	10,677	0	0	10,677
Cash and Cash Equivalents with Escrow Agent	0	308,572	0	308,572
Total Assets	\$1,743,881	\$8,075,713	\$1,748,562	\$11,568,156
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$2,282	\$461	\$1,987	\$4,730
Contracts Payable	0	3,347,170	0	3,347,170
Accrued Wages and Benefits Payable	361,295	0	64,886	426,181
Intergovernmental Payable	151,970	0	16,344	168,314
Interfund Payable	0	0	34,903	34,903
Retainage Payable	0	86,471	0	86,471
Retainage Payable from Restricted Assets	0	308,572	0	308,572
Deferred Revenue	999,092	109,934	374,400	1,483,426
Total Liabilities	1,514,639	3,852,608	492,520	5,859,767
<u>Fund Balances:</u>				
Nonspendable	13,829	701	1,412	15,942
Restricted	10,677	4,222,404	1,151,504	5,384,585
Assigned	48,034	0	125,703	173,737
Unassigned (Deficit)	156,702	0	(22,577)	134,125
Total Fund Balances	229,242	4,223,105	1,256,042	5,708,389
Total Liabilities and Fund Balances	\$1,743,881	\$8,075,713	\$1,748,562	\$11,568,156

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011

Total Governmental Fund Balances \$5,708,389

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

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

Land	36,900	
Construction in progress	19,355,327	
Other capital assets	4,235,329	
Accumulated depreciation	<u>(3,046,077)</u>	
Total capital assets		20,581,479

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

Delinquent property taxes	147,969	
Intergovernmental	153,176	
Investment Earnings	<u>276</u>	
		301,421

Bond issuance costs reported as an expenditure in governmental funds are recognized as an asset and allocated as an expense over the life of the bonds on a full accrual basis. 114,011

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

General obligation bonds	(5,246,933)	
Capital leases	(95,000)	
Premium on general obligation bonds	(201,913)	
Accrued interest on capital lease	(330)	
Accrued interest on bonds	(20,157)	
Compensated absences	<u>(407,473)</u>	
Total liabilities		<u>(5,971,806)</u>

Net Assets of Governmental Activities \$20,733,494

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Ohio School Facilities Construction Project	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$914,856	\$0	\$303,200	\$1,218,056
Intergovernmental	2,828,047	10,283,993	1,052,577	14,164,617
Investment Earnings	1,642	29,034	10,016	40,692
Tuition and Fees	1,280,732	0	0	1,280,732
Extracurricular Activities	23,204	0	43,789	66,993
Charges for Services	0	0	85,004	85,004
Contributions and Donations	8,282	0	13,690	21,972
Miscellaneous	150,725	0	8,542	159,267
<i>Total Revenues</i>	<u>5,207,488</u>	<u>10,313,027</u>	<u>1,516,818</u>	<u>17,037,333</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,714,066	0	360,471	3,074,537
Special	324,192	0	220,856	545,048
Vocational	1,697	0	0	1,697
Student Intervention Services	2,125	0	0	2,125
Support Services:				
Pupils	254,881	0	7,583	262,464
Instructional Staff	237,790	0	173,376	411,166
Board of Education	20,279	0	0	20,279
Administration	537,358	0	0	537,358
Fiscal	134,167	6,967	11,412	152,546
Operation and Maintenance of Plant	448,165	0	0	448,165
Pupil Transportation	237,692	0	0	237,692
Central	2,651	0	5,000	7,651
Operation of Non-Instructional Services:				
Food Service Operations	0	0	307,737	307,737
Extracurricular Activities	86,501	0	62,579	149,080
Capital Outlay	0	16,362,179	10,766	16,372,945
Debt Service:				
Principal Retirement	0	0	89,000	89,000
Interest and Fiscal Charges	0	0	247,807	247,807
<i>Total Expenditures</i>	<u>5,001,564</u>	<u>16,369,146</u>	<u>1,496,587</u>	<u>22,867,297</u>
Excess of Revenues Over (Under) Expenditures	<u>205,924</u>	<u>(6,056,119)</u>	<u>20,231</u>	<u>(5,829,964)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	40,152	40,152
Transfers Out	(40,152)	0	0	(40,152)
<i>Total Other Financing Sources (Uses)</i>	<u>(40,152)</u>	<u>0</u>	<u>40,152</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	165,772	(6,056,119)	60,383	(5,829,964)
<i>Fund Balances at Beginning of Year - As Restated (See Note 21)</i>	63,470	10,279,224	1,195,659	11,538,353
<i>Fund Balances at End of Year</i>	<u>\$229,242</u>	<u>\$4,223,105</u>	<u>\$1,256,042</u>	<u>\$5,708,389</u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds (\$5,829,964)

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

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

Construction in progress additions	16,486,013	
Depreciation expense	(131,262)	
Excess of capital outlay over depreciation expense	16,354,751	16,354,751

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the costs of capital assets are removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

Loss on sale of capital assets		(706)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	22,577	
Intergovernmental	(10,259,302)	
Investment Earnings	(868)	
	(10,237,593)	(10,237,593)

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

Bond principal payments	60,000	
Capital lease payments	29,000	
Total long-term debt repayment	89,000	89,000

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

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

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

Decrease in accrued interest		268
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable	(4,961)	
Accretion on bonds	(34,304)	
Total increase	(39,265)	(39,265)

Change in Net Assets of Governmental Activities \$339,938

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$1,144,000	\$941,101	\$941,101	\$0
Intergovernmental	2,968,356	2,828,047	2,828,047	0
Investment Earnings	1,498	1,642	1,642	0
Tuition and Fees	779,460	1,280,732	1,280,732	0
Extracurricular Activities	21,165	23,204	23,204	0
Contributions and Donations	7,554	8,282	8,282	0
Miscellaneous	137,484	150,725	150,725	0
<i>Total Revenues</i>	<u>5,059,517</u>	<u>5,233,733</u>	<u>5,233,733</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,004,616	2,717,334	2,717,334	0
Special	246,016	332,401	332,401	0
Vocational	16,187	3,752	3,752	0
Student Intervention Services	0	6,270	6,270	0
Support Services:				
Pupils	306,403	229,687	229,687	0
Instructional Staff	222,418	238,531	238,531	0
Board of Education	24,439	21,330	21,330	0
Administration	522,819	523,425	523,425	0
Fiscal	175,301	172,236	172,236	0
Operation and Maintenance of Plant	442,235	457,214	457,214	0
Pupil Transportation	276,674	254,282	254,282	0
Central	5,296	2,780	2,780	0
Extracurricular Activities	71,188	79,976	79,976	0
<i>Total Expenditures</i>	<u>5,313,592</u>	<u>5,039,218</u>	<u>5,039,218</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(254,075)</u>	<u>194,515</u>	<u>194,515</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	(36,331)	(40,152)	(40,152)	0
Advances In	6,484	6,484	6,484	0
Advances Out	(7,220)	(34,903)	(34,903)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(37,067)</u>	<u>(68,571)</u>	<u>(68,571)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(291,142)	125,944	125,944	0
<i>Fund Balance at Beginning of Year (Restated See Note 21)</i>	447,119	447,119	447,119	0
<i>Prior Year Encumbrances Appropriated</i>	34,911	34,911	34,911	0
<i>Fund Balance at End of Year</i>	<u>\$190,888</u>	<u>\$607,974</u>	<u>\$607,974</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

	Private Purpose Trust	Agency
	<hr/>	<hr/>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$500	\$13,171
		<hr/> <hr/>
<u>Liabilities:</u>		
Undistributed Monies	0	\$13,171
	<hr/>	<hr/> <hr/>
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$500	
	<hr/> <hr/>	

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
<u>Additions:</u>	
Contributions and Donations	\$500
<u>Deductions:</u>	
Scholarships	500
<i>Change in Net Assets</i>	0
<i>Net Assets at Beginning of Year - As Restated (See Note 21)</i>	500
<i>Net Assets at End of Year</i>	\$500

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1909 through the consolidation of existing land areas and school districts. The School District serves an area of 19.93 square miles. It is located in Scioto County, and includes Clay Township. It is staffed by 27 non-certificated employees, 48 certificated full-time teaching personnel and four administrative employees who provide services to 585 students and other community members. The School District currently operates three instructional buildings and two storage buildings.

Reporting Entity

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

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are presented in Note 18 to the basic financial statements.

Jointly Governed Organizations:

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

Public Entity Shared Risk Pool:

Scioto County Schools Council

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Insurance Purchasing Pool:
Ohio SchoolComp Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Budgetary Process

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

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

During fiscal year 2011, the School District's investments were limited to Federal Home Loan Bank Notes, Federal National Mortgage Association Discount Notes, and U.S. Treasury Bills. Investments are reported at fair value which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$1,642, which includes \$1,560 assigned from other School District funds.

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Interfund Balances

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

CLAY LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District for the purchase of textbooks and instructional materials. Restricted assets in the Ohio School Facilities Construction Project Capital Projects Fund represent monies held in an escrow account that is still owed to contractors for work completed relating to the school construction project.

Capital Assets

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

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

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

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

Internal Activity

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unassigned

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

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

Net Assets

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

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

Estimates

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 - FUND BALANCES

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

<u>Fund Balances</u>	<u>General</u>	<u>Ohio School Facilities Construction Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<i>Nonspendable</i>				
Prepays	\$5,001	\$701	\$0	\$5,702
Materials and Supplies Inventory	8,828	0	1,412	10,240
<i>Total Nonspendable</i>	13,829	701	1,412	15,942
<i>Restricted for</i>				
Set Asides	10,677	0	0	10,677
Food Service	0	0	1,129	1,129
Debt Payment	0	0	117,815	117,815
Student Activity	0	0	3,348	3,348
Ohio School Facilities Maintenance	0	0	100,988	100,988
Miscellaneous Grants	0	0	1,062	1,062
Capital Improvements	0	0	927,162	927,162
Classroom Facilities	0	4,222,404	0	4,222,404
<i>Total Restricted</i>	10,677	4,222,404	1,151,504	5,384,585
<i>Assigned to</i>				
Capital Improvements	0	0	125,703	125,703
Other Purposes	48,034	0	0	48,034
<i>Total Assigned</i>	48,034	0	125,703	173,737
<i>Unassigned (Deficit)</i>	156,702	0	(22,577)	134,125
<i>Total Fund Balances</i>	\$229,242	\$4,223,105	\$1,256,042	\$5,708,389

NOTE 4 - ACCOUNTABILITY

At June 30, 2011, Public Preschool, Title VI-B, Title I-School Improvement, Title I, Title II-A, and Miscellaneous Federal Grants Special Revenue Funds had deficit fund balances of \$8,124, \$3,704, \$871, \$7,866, \$1,857, and \$155, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$165,772
Adjustments:	
Revenue Accruals	26,245
Expenditure Accruals	(2,124)
Encumbrances	(35,530)
Advances	(28,419)
Budget Basis	\$125,944

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits:

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$371,063 of the School District's pooled bank balance of \$898,639 were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution. Also, at fiscal year-end, \$3,396,794 of the School District's Ohio School Facilities Construction Project Capital Projects Fund's specific balance of \$3,646,794 was exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution.

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

Investments: As of June 30, 2011, the School District had the following investments, all of which are related to the Ohio School Facilities Commission Project:

	Fair Value	Investment Maturities in Years <u>Less than 1</u>	S&P Rating	Percent of Total Investments
Federal Home Loan Bank Notes	\$1,050,403	\$1,050,403	----	19.45%
Federal National Mortgage Association Discount Notes	2,156,279	2,156,279	AAA	39.92%
U.S. Treasury Bills	2,194,103	2,194,103	AAA	40.63%
Totals	<u>\$5,400,785</u>	<u>\$5,400,785</u>		<u>100.00%</u>

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The Scioto County Treasurer collects property taxes on behalf of all governments in the County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2011, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal-year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit of deferred revenue.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 - PROPERTY TAXES (continued)

The amounts available as an advance at June 30, 2011, were \$52,553 in the General Fund and \$17,723 in Other Governmental Funds. The amounts available as an advance at June 30, 2010, were \$78,798 in the General Fund and \$26,701 in Other Governmental Funds.

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

The assessed values upon which fiscal year 2011 taxes were collected are:

	<u>2010 Second- Half Collections</u>		<u>2011 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Real Estate	\$49,465,230	94.13%	\$50,700,000	94.19%
Public Utility Personal	3,009,530	5.73%	3,124,970	5.81%
General Business Personal	75,640	0.14%	0	0.00%
Total Assessed Value	<u>\$52,550,400</u>	<u>100.00%</u>	<u>\$53,824,970</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$32.02		 \$32.02	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2011, consisted of property taxes, intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full and will be received within one fiscal year with the exception of the property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
Ohio School Facilities Commission Grant	\$109,885
Title I	62,661
Special Education Part B-IDEA	31,821
ARRA - Special Education, Part B-IDEA	16,525
Early Childhood Education	10,296
Improving Teacher Quality, Title II-A	5,961
Total Intergovernmental Receivables	<u>\$237,149</u>

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 – RECEIVABLES (continued)

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

NOTE 9 - CAPITAL ASSETS

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

	Balance at <u>6/30/10</u>	Additions	Deductions	Balance at <u>6/30/11</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$36,900	\$0	\$0	\$36,900
Construction in Progress	<u>2,869,314</u>	<u>16,486,013</u>	<u>0</u>	<u>19,355,327</u>
Total Capital Assets Not Being Depreciated	<u>2,906,214</u>	<u>16,486,013</u>	<u>0</u>	<u>19,392,227</u>
Capital Assets Being Depreciated:				
Land Improvements	81,931	0	0	81,931
Buildings and Improvements	2,508,891	0	0	2,508,891
Furniture, Fixtures and Equipment	861,370	0	(1,599)	859,771
Textbooks	338,923	0	0	338,923
Vehicles	445,813	0	0	445,813
Total Capital Assets Being Depreciated	<u>4,236,928</u>	<u>0</u>	<u>(1,599)</u>	<u>4,235,329</u>
Less Accumulated Depreciation:				
Land Improvements	(42,292)	(8,475)	0	(50,767)
Building and Improvements	(1,636,199)	(42,973)	0	(1,679,172)
Furniture, Fixtures and Equipment	(623,507)	(48,722)	893	(671,336)
Textbooks	(338,923)	0	0	(338,923)
Vehicles	(274,787)	(31,092)	0	(305,879)
Total Accumulated Depreciation	<u>(2,915,708)</u>	<u>(131,262) *</u>	<u>893</u>	<u>(3,046,077)</u>
Total Capital Assets Being Depreciated, Net	<u>1,321,220</u>	<u>(131,262)</u>	<u>(706)</u>	<u>1,189,252</u>
Governmental Activities Capital Assets, Net	<u>\$4,227,434</u>	<u>\$16,354,751</u>	<u>(\$706)</u>	<u>\$20,581,479</u>

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$55,943
Special	3,755
Vocational	445
Student Intervention Services	666
Support Services:	
Pupils	2,665
Instructional Staff	5,463
Administration	5,666
Fiscal	2,153
Operation and Maintenance of Plant	9,020
Pupil Transportation	35,090
Operation of Non-Instructional Services:	
Food Service Operations	4,371
Extracurricular Activities	6,025
Total Depreciation Expense	<u><u>\$131,262</u></u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with School Insurance Consultants, LLC (SIC) for insurance consulting services. The premium paid to SIC for fiscal year 2011 was \$3,000. The School District also pays to the awarded insurance agency an insurance premium that is based on types of coverage, limits of coverage, and deductibles that it selects. For the fiscal year, the School District contracted with Ohio Casualty Insurance Agency for liability, property, inland marine, and automobile liability insurance coverage and paid its premium to Governmental Underwriters of America, an agent for Ohio Casualty Insurance Agency.

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 - RISK MANAGEMENT (continued)

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 18), offering medical and dental insurance to the employees of participating school districts. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turn pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the School District shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan. All claims and expenses shall be paid from the funds of the Council.

For fiscal year 2011, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduce premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applies to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$92,748, \$110,482, and \$75,280, respectively. For fiscal year 2011, 45.24 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

State Teachers Retirement System of Ohio

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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 – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$337,555, \$338,998, and \$333,084, respectively. For fiscal year 2011, 79.16 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

No contributions were made to STRS Ohio for the DC Plan for fiscal year 2011 by the School District or plan members. In addition, member contributions of \$2,299 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

Social Security System

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at 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 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$14,588 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$25,818, \$15,899, and \$49,625, respectively. For fiscal year 2011, 45.24 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$5,969, \$6,570, and \$6,211, respectively. For fiscal year 2011, 45.24 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to one percent of covered payroll to postemployment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$25,966, \$26,077, and \$25,622, respectively. For fiscal year 2011, 79.16 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

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

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

Insurance Benefits

The School District provides vision coverage through Vision Service Plan and life insurance through the Metropolitan Educational Council (Note 18). The School District also provides health care and dental coverage for its employees with Medical Mutual of Ohio through the Scioto County Schools Council.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 - EMPLOYEE BENEFITS (continued)

Deferred Compensation

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

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

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

The lease-purchase amount equaled \$204,000. Capital assets acquired through the lease were capitalized in the amount of \$201,000 with the remaining \$3,000 being disbursed directly from the Program Discretionary Fund to pay certain expenses of the School District's participation in the Program. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2011 totaled \$29,000 and were paid from the Debt Service Fund.

The assets acquired through the capital lease as of June 30, 2011, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
School Buses	\$201,000	\$92,124	\$108,876

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ending June 30,	Total Payments
2012	\$33,962
2013	34,710
2014	33,688
Total	102,360
Less: Amount Representing Interest	(7,360)
Present Value of Net Minimum Lease Payments	\$95,000

NOTE 15 - LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/10	Additions	Deductions	Amount Outstanding 6/30/11	Amounts Due in One Year
<u>Governmental Activities:</u>					
2008 School Improvement General					
Obligation Bonds - 3.63% to 5.25%					
Serial Bonds	\$285,000	\$0	\$60,000	\$225,000	\$75,000
Term Bonds	4,800,000	0	0	4,800,000	0
Capital Appreciation Bonds	130,000	0	0	130,000	0
Accretion on Capital Appreciation					
Bonds	57,629	34,304	0	91,933	0
Unamortized Premium	209,831	0	7,918	201,913	0
Capital Leases	124,000	0	29,000	95,000	30,000
Compensated Absences	402,512	81,497	76,536	407,473	41,659
Total Governmental Activities					
Long-Term Obligations	\$6,008,972	\$115,801	\$173,454	\$5,951,319	\$146,659

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

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

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

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

The capital appreciation bonds, issued at \$130,000, are not subject to prior redemption. The fiscal year 2011 accretion amount was \$34,304. The remaining capital appreciation bonds will mature December 1, 2014, through 2018 as follows:

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

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

Principal and interest requirements to retire the School District's outstanding debt at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$75,000	\$240,525	\$0	\$0	\$0	\$0
2013	75,000	237,759	0	0	0	0
2014	75,000	234,852	0	0	0	0
2015	0	0	0	233,352	33,143	66,857
2016	0	0	0	233,352	27,615	72,385
2017-2021	0	0	0	1,155,474	69,242	290,758
2022-2026	0	0	1,175,000	1,015,077	0	0
2027-2031	0	0	730,000	762,895	0	0
2032-2036	0	0	1,620,000	373,063	0	0
2037	0	0	1,275,000	11,944	0	0
Totals	<u>\$225,000</u>	<u>\$713,136</u>	<u>\$4,800,000</u>	<u>\$3,785,157</u>	<u>\$130,000</u>	<u>\$430,000</u>

As of June 30, 2011, \$30,644 of the debt proceeds had been spent toward the project.

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

The School District's overall legal debt margin was (\$192,938) with an unvoted debt margin of \$53,825 at June 30, 2011. Ohio Revised Code Section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's local portion of Ohio School Facilities construction project costs. The School District submitted the issuance of its School Improvement General Obligation Bonds to the electors prior to the adoption of H.B. 530. H.B. 530 now excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations from the definition of tax valuation for the purpose of calculating the legal debt margin for school districts.

NOTE 16 - INTERFUND ACTIVITY

Interfund balances at June 30, 2011, consist of the following individual interfund receivable and payable:

		Receivable
		General Fund
Payable	Other	
	Governmental Funds	\$34,903

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

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

		Transfers From
		General
Transfers To	Other	
	Governmental Funds	\$40,152

General Fund transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers were made from the General Fund to the Other Governmental Funds for the purpose of making debt payments and funding extracurricular activities.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 17 - CONSTRUCTION COMMITMENTS

The School District contracted for constructing its new Pre-K-12 facility, as well as to demolish the existing instructional buildings. The outstanding construction commitments at June 30, 2011, are:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At June 30, 2011</u>
Tanner, Stone & Co.	\$1,279,552	\$1,132,871	\$146,681
DCK Construction	1,178,958	1,099,911	79,047
Burgess and Niple	10,630	7,073	3,557
Professional Services Industries	68,809	66,315	2,494
Four Seasons Environmental	58,300	22,532	35,768
BB&E	3,264,282	2,870,105	394,177
J & H Reinforcing	12,115,556	10,204,464	1,911,092
West End Electric	3,279,961	2,878,858	401,103
Cardinal Environmental	199,690	110,760	88,930
Central Fire Protection	190,178	176,104	14,074
Total	<u>\$21,645,916</u>	<u>\$18,568,993</u>	<u>\$3,076,923</u>

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL

Jointly Governed Organizations

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$9,552 for membership fees during the fiscal year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL (continued)

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of 14 members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for School District administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for School District personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid \$325 to the Coalition for services provided during the fiscal year.

Metropolitan Educational Council

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

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL (continued)

Public Entity Shared Risk Pool

Scioto County Schools Council

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

Insurance Purchasing Pool

Ohio SchoolComp Workers’ Compensation Group Rating Plan

The School District participates in the Ohio SchoolComp Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the GRP. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

NOTE 19 - SET-ASIDE CALCULATIONS

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 19 - SET-ASIDE CALCULATIONS (continued)

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

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Balance as of June 30, 2010	(\$28,076)	\$0
Current Fiscal Year Set-aside Requirement	114,103	114,103
Current Fiscal Year Offsets	0	(312,177)
Qualifying Disbursements	(75,350)	0
Totals	\$10,677	(\$198,074)
Set-aside Balance as of June 30, 2011	\$10,677	\$0

Although the School District had qualifying disbursements during the fiscal year that would have reduced the set-aside amount for capital acquisitions to below zero, this extra amount may not be used to reduce the set-aside requirements of future fiscal years, therefore the School District has chosen not to present them.

NOTE 20 - CONTINGENCIES

Grants

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

Litigation

The School District is not party to any legal proceedings.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The implementation of GASB Statement No. 54 resulted in the following change to fund balances and net assets at June 30, 2010, as previously reported:

	General Fund	
Fund Balance, June 30, 2010, as Previously Reported	\$63,970	
Restatement of Fund Balance	(500)	
Fund Balance, June 30, 2010, as Restated	\$63,470	
	Governmental Activities	Private Purpose Trust Fund
Net Assets, June 30, 2010, as Previously Reported	\$20,394,056	\$0
Restatement of Net Assets	(500)	500
Fund Balance, June 30, 2010, as Restated	\$20,393,556	\$500

In addition, the fund balance at the beginning of the year – Budget and Actual (Budget Basis) for the General Fund decrease by \$500.

CLAY LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 75,422	\$ -	\$ 75,422	\$ -
National School Lunch Program	3L60	10.555	132,775	18,186	132,775	18,186
Summer Food Service Program for Children	3L60	10.559	3,060	-	3,060	-
Total Nutrition Cluster			211,257	18,186	211,257	18,186
Total United States Department of Agriculture			211,257	18,186	211,257	18,186
<u>United States Department of Education</u>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	6BSF	84.027	86,998	-	115,225	-
Special Education - Grants to States - ARRA	3DJ0	84.391	53,162	-	58,045	-
Total Special Education Cluster			140,160	-	173,270	-
<i>Title I Cluster</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	144,702	-	146,783	-
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	38,755	-	36,824	-
Total Title I Cluster			183,457	-	183,607	-
Education Technology State Grants	TJS1	84.318	595	-	-	-
Improving Teacher Quality State Grants	TRS1	84.367	42,463	-	42,449	-
School Improvement Grants	3AN0	84.377	30,797	-	32,485	-
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	GRF	84.394	222,719	-	222,719	-
<i>Direct from United States Department of Education</i>						
Rural Education	N/A	84.358	3,000	-	3,000	-
Total United States Department of Education			623,191	-	657,530	-
Total Federal Financial Assistance			<u>\$ 834,448</u>	<u>\$ 18,186</u>	<u>\$ 868,787</u>	<u>\$ 18,186</u>

N/A=Not Available

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

Clay Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

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

NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

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



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay Local School District, Scioto County, Ohio (the School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 20, 2012 in which we noted that the School District adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Members of the Board of Education

Clay Local School District

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

Page 2

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

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

Balestra, Harr & Scherer, CPAs, Inc.

January 20, 2012



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance Required by OMB Circular A-133

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

Compliance

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

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

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

Internal Control Over Compliance

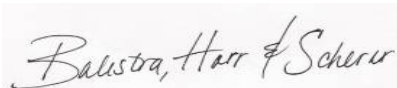
The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal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

Members of the Board of Education
Clay Local School District
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
Page 2

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 management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
January 20, 2012

**Clay Local School District
Scioto County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

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

**Clay Local School District
Scioto County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
(Continued)
June 30, 2011**

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

CLAY LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-001	Significant Deficiency – Prior Period Adjustment for Capital Assets.	Yes	



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report on Applying Agreed Upon Procedures

Members of the Board of Education
Clay Local School District
Scioto County
44 Clay High Street
Portsmouth, Ohio 45662

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

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

Balestra, Harr & Scherer, CPAs, Inc.

January 20, 2012

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Dave Yost • Auditor of State

CLAY LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 10, 2012