

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2012***

JOHN STANLEY, TREASURER



Dave Yost • Auditor of State

Board of Education
East Clinton Local School District
97 Astro Way
Sabina, Ohio 45169

We have reviewed the *Independent Accountants' Report* of the East Clinton Local School District, Clinton County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. 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 East Clinton 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 4, 2013

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**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report

East Clinton Local School District
97 Astro Way
Sabina, Ohio 45169

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Clinton Local School District, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the East Clinton Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the East Clinton Local 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 the 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 East Clinton Local School District, Clinton County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the fiscal 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 24, 2013 on our consideration of the East Clinton Local 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 require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the East Clinton Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards 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 Receipts and Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
January 24, 2013

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

As management of the East Clinton 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, 2012. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's performance.

This discussion and analysis of East Clinton Local School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012.

Financial Highlights

- In total, net assets increased \$355,842.
- The School District's assessed valuation increased 9.8 percent, which caused an increase in property tax revenue.
- Overall expenses slightly decreased and overall revenues slightly increased during the fiscal year.

Using the Basic Financial Statements

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

The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the School District as a whole, and present 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 East Clinton Local School District are the General, Bond Retirement, and Permanent Improvement Funds.

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 2012?" 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 year's revenues and expenses regardless of when cash is received or paid.

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East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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 7. Fund financial statements 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 Statement of Activities) and governmental *funds* is reconciled in the financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the Governmental Fund Balance Sheet, and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

Fiduciary Funds - The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The private purpose trust fund is used to account for college scholarship programs. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 1 provides a summary of the School District's net assets at June 30, 2012, and June 30, 2011:

Table 1
Net Assets
Governmental Activities

Assets	2012	2011	Change
Current and Other Assets	\$8,298,835	\$7,848,785	\$450,050
Capital Assets, Net	14,900,976	15,222,839	(321,863)
Total Assets	23,199,811	23,071,624	128,187
Liabilities			
Other Liabilities	4,323,537	4,365,587	(42,050)
Long-Term Liabilities	2,394,073	2,579,678	(185,605)
Total Liabilities	6,717,610	6,945,265	(227,655)
Net Assets			
Invested in Capital Assets, Net of Related Debt	13,420,907	13,447,492	(26,585)
Restricted	1,890,786	2,141,499	(250,713)
Unrestricted	1,170,508	537,368	633,140
Total Net Assets	\$16,482,201	\$16,126,359	\$355,842

Net assets increased \$355,842. Invested in capital assets, net of related debt, decreased \$26,585, which was primarily due to depreciation exceeding additions for the fiscal year. Unrestricted net assets increased \$633,140 due primarily to overall revenues exceeding expenses during the fiscal year.

Table 2, on the following page, 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 grants, contributions and interest, and capital grants and contributions. General Revenues include taxes, unrestricted grants, such as State foundation support, unrestricted gifts and donations, unrestricted investment earnings and miscellaneous revenue.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2
Change in Net Assets
Governmental Activities

Revenues	2012	2011	Change
Program Revenues:			
Charges for Services and Sales	\$1,064,112	\$945,642	\$118,470
Operating Grants, Contributions and Interest	2,545,958	2,364,651	181,307
Capital Grants and Contributions	97,938	116,328	(18,390)
Total Program Revenues	3,708,008	3,426,621	281,387
General Revenues:			
Property Taxes	3,131,394	2,956,980	174,414
Grants and Entitlements not Restricted to Specific Programs	7,550,789	7,952,897	(402,108)
Investment Earnings	41,942	60,791	(18,849)
Gain on Sale of Capital Assets	1,330	629	701
Miscellaneous	81,767	76,739	5,028
Total General Revenues	10,807,222	11,048,036	(240,814)
Total Revenues	14,515,230	14,474,657	40,573
Program Expenses			
Instruction:			
Regular	6,339,922	6,334,650	5,272
Special	1,497,037	1,457,098	39,939
Vocational	80,519	91,563	(11,044)
Student Intervention Services	413	179	234
Support Services:			
Pupils	420,260	474,146	(53,886)
Instructional Staff	1,046,040	923,454	122,586
Board of Education	53,651	39,642	14,009
Administration	985,826	1,059,832	(74,006)
Fiscal	346,965	321,923	25,042
Business	4,418	4,213	205
Operation and Maintenance of Plant	1,179,511	1,477,805	(298,294)
Pupil Transportation	899,163	877,574	21,589
Central	93,682	122,079	(28,397)
Operation of Non-Instructional Services:			
Other	17,439	20,654	(3,215)
Food Service Operations	698,856	583,249	115,607
Extracurricular Activities	351,307	283,177	68,130
Interest and Fiscal Charges	144,379	136,893	7,486
Total Expenses	14,159,388	14,208,131	(48,743)
Increase in Net Assets	355,842	266,526	89,316
Net Assets at Beginning of Year	16,126,359	15,859,833	266,526
Net Assets at End of Year	\$16,482,201	\$16,126,359	\$355,842

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Governmental Activities

Property taxes increased \$174,414 due to an increase in valuation.

Grants and entitlements not restricted to specific programs decreased \$402,108 due primarily to the decrease in Educational Stabilization funding. This funding source was eliminated in fiscal year 2012.

Overall expenses decreased slightly in fiscal year 2012 compared to fiscal year 2011. Instruction programs comprise approximately 56 percent of total governmental expenses. Of the instructional expenses, approximately 80 percent is for regular instruction, 19 percent for special instruction and 1 percent for vocational and student intervention instruction.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants, contributions and interest offsetting those costs. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted state aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, charges for services, fees and donations.

Table 3
Governmental Activities

	Total Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2012	Net Cost of Services 2011
Instruction	\$7,917,891	\$7,883,490	\$5,392,843	\$5,691,823
Support Services	5,029,516	5,300,668	4,726,110	4,837,102
Operation of Non-				
Instructional Services	716,295	603,903	(61,147)	(72,738)
Extracurricular Activities	351,307	283,177	249,195	188,430
Interest and Fiscal Charges	144,379	136,893	144,379	136,893
Total Expenses	<u>\$14,159,388</u>	<u>\$14,208,131</u>	<u>\$10,451,380</u>	<u>\$10,781,510</u>

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 \$14,647,572, expenditures of \$14,025,284 and other financing sources of \$8,780.

The net change in the General Fund balance for the fiscal year was an increase of \$834,054. This was due to overall revenues exceeding expenditures.

The Bond Retirement Fund balance increased \$19,660.

East Clinton Local School District
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For the Fiscal Year Ended June 30, 2012
Unaudited

The Permanent Improvement Fund balance decreased \$186,681. This was due to an increase in regular instruction and operation and maintenance of plant expenditures.

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. During the course of fiscal year 2012, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$3,669 above the final budgeted amount in the General Fund.

For the General Fund, actual revenue was \$11,734,752, with final budget estimates of \$11,732,175, a difference of \$2,577. Original budgeted amounts were \$11,506,730, a difference of \$225,445 from final budget estimates.

Budget basis expenditures were \$11,206,422, with final appropriations of \$11,207,514, a difference of \$1,092. Original estimated expenditures of \$11,455,853 varied from final budget basis expenditures by \$248,339.

Capital Assets and Debt Administration

Capital Assets

The East Clinton Local School District's investment in capital assets as of June 30, 2012, was \$14,900,976. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows June 30, 2012, balances compared to June 30, 2011:

Table 4
Capital Assets at June 30
(Net of Depreciation)
Governmental Activities

	2012	2011
Land	\$426,976	\$426,976
Buildings and Improvements	13,420,165	13,971,931
Furniture, Fixtures and Equipment	598,227	363,720
Vehicles	455,608	460,212
Totals	\$14,900,976	\$15,222,839

Net capital assets decreased \$321,863 primarily as a result of the current year depreciation expense offset by additions to capital assets.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

For more information on capital assets, refer to note 9 of the basic financial statements.

Debt

At June 30, 2012, the School District had \$2,015,872 in bonds outstanding, with \$305,000 due within one year. Table 5 summarizes outstanding bonds:

Table 5
 Outstanding Debt, at June 30,

	2012	2011
2003 - School Improvement Refunding Bonds	\$984,998	\$1,244,998
Accretion on Capital Appreciation Bonds	498,772	396,856
Premium on Refunding	128,950	154,740
Deferred Gain on Refunding	(116,848)	(136,322)
2010 - Energy Conservation Bonds	520,000	555,000
Totals	\$2,015,872	\$2,215,272

School Improvement Refunding Bonds 2003

The School District issued \$2,899,998 in general obligation bonds for the purpose of refunding the 1995 School Improvement Bonds. The bonds were issued for a 14 year period, with final maturity in December, 2017.

Energy Conservation Bonds 2010

The School District issued \$595,000 in energy conservation bonds for the purpose of making energy efficient upgrades. The bonds were issued for a 15 year period with final maturity in December, 2024.

The School District's voted legal debt margin was \$11,747,120 with an energy conservation debt margin of \$723,243 and an unvoted debt margin of \$138,138 at June 30, 2012.

For more information on debt, refer to note 14 of the basic financial statements.

East Clinton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

District Challenges for the Future

School funding in Ohio is still the School District's biggest challenge as we are heavily dependent on State funding. While the Ohio Supreme Court ruled in March 1997 that Ohio's funding of public schools is unconstitutional and needs to be restricted, subsequent Court reviews of the legislature have not adequately responded to the specifics of the ruling. H.B. 66, passed in June 2005, has not helped school districts' financial future. Two of the major issues with H.B. 66 is the phase out of the cost of doing business factor and the phase out of personal tangible property tax with no long-term replacement revenue. Thus, many school districts believe Ohio's public schools continue to be funded through an inadequate and inequitable system.

The State legislature has created other opportunities for school children in Ohio that have caused more funding concerns for Ohio's public schools. The liberalization of home schooling requirements, post-secondary options, intra-district open enrollment, and community school districts have created additional competition for the limited funding available for education in Ohio.

The projection of student enrollment is another issue that is difficult to forecast. During the last several fiscal years, the School District's student enrollment has risen and fallen. These fluctuations make it very difficult to forecast an accurate financial picture of the School District. The transient nature of the School District's residents and students choosing one of the above mentioned alternatives to public education makes estimating the number of students to be funded through the school foundation program difficult.

The School District continues to demonstrate fiscal responsibility by doing whatever is necessary to keep the School District in the "black". The School District is proud to have an "effective" rating for the eleventh consecutive fiscal year on the State mandated Report Card. Parents, students and staff are to be commended for the commitment of a quality education for the students of the School District. The Board and administrators are hopeful that public school funding in Ohio is a priority for Ohio's political leaders, and that it will permit the School District to continue to provide a quality education for its students.

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 John Stanley, Treasurer, at East Clinton Local School District, 97 Astro Way, Sabina, OH 45169.

East Clinton Local School District

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,703,093
Accrued Interest Receivable	5,637
Materials and Supplies Inventory	2,517
Inventory Held for Resale	11,637
Intergovernmental Receivable	120,182
Property Taxes Receivable	3,418,738
Deferred Charges	37,031
Capital Assets:	
Land	426,976
Depreciable Capital Assets, Net	<u>14,474,000</u>
<i>Total Assets</i>	<u>23,199,811</u>
Liabilities	
Accounts Payable	21,078
Accrued Wages and Benefits Payable	1,207,877
Intergovernmental Payable	207,756
Deferred Revenue	2,883,574
Accrued Interest Payable	3,252
Long-Term Liabilities:	
Due Within One Year	336,197
Due in More Than One Year	<u>2,057,876</u>
<i>Total Liabilities</i>	<u>6,717,610</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	13,420,907
Restricted for:	
Capital Projects	462,772
Debt Service	320,406
Classroom Facilities	329,489
Other Purposes	426,541
Library Materials and Services:	
Expendable	51,578
Nonexpendable	300,000
Unrestricted	<u>1,170,508</u>
<i>Total Net Assets</i>	<u><u>\$16,482,201</u></u>

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net(Expense)	
	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets	
Expenses				Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$6,339,922	\$707,431	\$431,228	\$35,159	(\$5,166,104)
Special	1,497,037	0	1,313,350	0	(183,687)
Vocational	80,519	0	37,880	0	(42,639)
Student Intervention Services	413	0	0	0	(413)
Support Services:					
Pupils	420,260	0	3,959	0	(416,301)
Instructional Staff	1,046,040	0	58,069	0	(987,971)
Board of Education	53,651	0	0	0	(53,651)
Administration	985,826	0	61,189	0	(924,637)
Fiscal	346,965	0	73,917	1,580	(271,468)
Business	4,418	0	0	0	(4,418)
Operation and Maintenance of Plant	1,179,511	4,080	15,778	43,797	(1,115,856)
Pupil Transportation	899,163	0	16,435	17,402	(865,326)
Central	93,682	0	7,200	0	(86,482)
Operation of Non-Instructional Services:					
Other	17,439	0	0	0	(17,439)
Food Service Operations	698,856	251,794	525,648	0	78,586
Extracurricular Activities	351,307	100,807	1,305	0	(249,195)
Interest and Fiscal Charges	144,379	0	0	0	(144,379)
Total Governmental Activities	\$14,159,388	\$1,064,112	\$2,545,958	\$97,938	(10,451,380)
General Revenues					
Property Taxes Levied for:					
					2,506,019
					277,767
					298,936
					48,672
Grants and Entitlements not					
					7,550,789
Restricted to Specific Programs					
					41,942
					1,330
					81,767
Total General Revenues					10,807,222
Change in Net Assets					355,842
Net Assets at Beginning of Year					16,126,359
Net Assets at End of Year					\$16,482,201

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District

Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Bond Retirement Fund	Permanent Improvement Fund
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,892,595	\$274,897	\$412,287
Materials and Supplies Inventory	0	0	0
Inventory Held for Resale	0	0	0
Accrued Interest Receivable	4,937	0	0
Interfund Receivable	2,874	0	0
Intergovernmental Receivable	0	0	0
Property Taxes Receivable	2,739,356	297,473	329,573
<i>Total Assets</i>	<u>\$5,639,762</u>	<u>\$572,370</u>	<u>\$741,860</u>
Liabilities			
Accounts Payable	\$21,078	\$0	\$0
Accrued Wages and Benefits Payable	989,988	0	0
Interfund Payable	0	0	0
Intergovernmental Payable	183,030	0	0
Deferred Revenue	2,523,402	272,685	303,661
<i>Total Liabilities</i>	<u>3,717,498</u>	<u>272,685</u>	<u>303,661</u>
Fund Balances			
Nonspendable	0	0	0
Restricted	0	299,685	438,199
Committed	21,377	0	0
Assigned	514,582	0	0
Unassigned (Deficit)	1,386,305	0	0
<i>Total Fund Balances</i>	<u>1,922,264</u>	<u>299,685</u>	<u>438,199</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,639,762</u>	<u>\$572,370</u>	<u>\$741,860</u>

See Accompanying Notes to the Basic Financial Statements

All Other Governmental Funds	Total Governmental Funds
\$1,123,314	\$4,703,093
2,517	2,517
11,637	11,637
700	5,637
0	2,874
120,182	120,182
52,336	3,418,738
<u>\$1,310,686</u>	<u>\$8,264,678</u>
\$0	\$21,078
217,889	1,207,877
2,874	2,874
24,726	207,756
87,411	3,187,159
<u>332,900</u>	<u>4,626,744</u>
302,517	302,517
782,363	1,520,247
0	21,377
0	514,582
(107,094)	1,279,211
<u>977,786</u>	<u>3,637,934</u>
<u>\$1,310,686</u>	<u>\$8,264,678</u>

See Accompanying Notes to the Basic Financial Statements

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East Clinton Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012

Total Governmental Fund Balances \$3,637,934

***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	426,976	
Other capital assets	27,761,363	
Accumulated depreciation	(13,287,363)	
Total capital assets	14,900,976	14,900,976

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.

Taxes	261,888	
Intergovernmental	39,099	
Interest	2,598	
	303,585	303,585

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 37,031

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (3,252)

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

Bonds payable	(984,998)	
Accretion on capital appreciation bonds	(498,772)	
Premium on debt issue	(128,950)	
Deferred gain on refunding	116,848	
Energy conservation bonds payable	(520,000)	
Compensated absences	(378,201)	
Total liabilities	(2,394,073)	(2,394,073)

Net Assets of Governmental Activities \$16,482,201

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Bond Retirement Fund	Permanent Improvement Fund
Revenues			
Property Taxes	\$2,516,630	\$277,962	\$301,919
Intergovernmental	8,445,041	46,808	97,938
Investment Earnings	40,130	0	0
Tuition and Fees	707,431	0	0
Rent	4,080	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Customer Sales and Services	0	0	0
Miscellaneous	79,625	0	0
<i>Total Revenues</i>	<u>11,792,937</u>	<u>324,770</u>	<u>399,857</u>
Expenditures			
Current:			
Instruction:			
Regular	5,121,820	0	210,560
Special	940,030	0	0
Vocational	70,215	0	0
Student Intervention Services	413	0	0
Support Services:			
Pupils	422,639	0	0
Instructional Staff	948,129	0	0
Board of Education	53,651	0	0
Administration	906,537	0	0
Fiscal	293,401	8,615	9,462
Business	4,418	0	0
Operation and Maintenance of Plant	1,057,333	0	262,299
Pupil Transportation	781,322	0	104,217
Central	84,344	0	0
Operation of Non-Instructional Services:			
Other	16,667	0	0
Food Service Operations	0	0	0
Extracurricular Activities	224,756	0	0
Debt Service:			
Principal Retirement	35,000	260,000	0
Interest and Fiscal Charges	6,988	36,495	0
<i>Total Expenditures</i>	<u>10,967,663</u>	<u>305,110</u>	<u>586,538</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	825,274	19,660	(186,681)
Other Financing Sources			
Proceeds from Sale of Capital Assets	8,780	0	0
<i>Net Change in Fund Balances</i>	834,054	19,660	(186,681)
<i>Fund Balances at Beginning of Year</i>	<u>1,088,210</u>	<u>280,025</u>	<u>624,880</u>
<i>Fund Balances at End of Year</i>	<u>\$1,922,264</u>	<u>\$299,685</u>	<u>\$438,199</u>

See Accompanying Notes to the Basic Financial Statements

<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$49,164	\$3,145,675
1,717,635	10,307,422
7,161	47,291
0	707,431
0	4,080
100,807	100,807
1,305	1,305
251,794	251,794
2,142	81,767
2,130,008	14,647,572
535,016	5,867,396
547,034	1,487,064
0	70,215
0	413
6,210	428,849
89,365	1,037,494
0	53,651
72,161	978,698
34,652	346,130
0	4,418
76,830	1,396,462
0	885,539
9,253	93,597
0	16,667
691,887	691,887
103,565	328,321
0	295,000
0	43,483
2,165,973	14,025,284
(35,965)	622,288
0	8,780
(35,965)	631,068
1,013,751	3,006,866
\$977,786	\$3,637,934

See Accompanying Notes to the Basic Financial Statements

East Clinton 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, 2012

Net Change in Fund Balances - Total Governmental Funds \$631,068

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

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

Capital assets additions	506,878	
Depreciation expense	(821,291)	
Excess of depreciation expense over capital outlay		(314,413)

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

Proceeds from the sale of capital assets	(8,780)	
Gain on disposal of capital assets	1,330	
		(7,450)

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	(14,281)	
Intergovernmental	(117,320)	
Interest	(2,071)	
		(133,672)

In the Statement of Activities, interest accrued on outstanding bonds and bond accretion, bond premium, and bond issuance costs are amortized over the terms of the bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued:

Decrease in accrued interest payable	742	
Accretion on bonds	(101,916)	
Amortization of bond issuance costs	(6,038)	
Amortization of deferred amount on refunding	(19,474)	
Amortization of bond premium	25,790	
		(100,896)

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:

Principal retirement		295,000
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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		(13,795)

Change in Net Assets of Governmental Activities \$355,842

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive Variance with (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,380,000	\$2,477,949	\$2,477,949	\$0
Intergovernmental	8,372,880	8,443,006	8,443,006	0
Investment Earnings	40,000	23,000	25,577	2,577
Tuition and Fees	645,750	707,431	707,431	0
Rent	3,000	4,080	4,080	0
Miscellaneous	65,100	76,709	76,709	0
<i>Total Revenues</i>	11,506,730	11,732,175	11,734,752	2,577
Expenditures				
Current:				
Instruction:				
Regular	4,694,417	4,187,052	4,187,052	0
Special	945,633	947,524	947,524	0
Vocational	67,462	71,783	71,783	0
Student Intervention Services	28	413	413	0
Other	890,237	1,033,553	1,033,553	0
Support Services:				
Pupils	394,966	443,886	443,587	299
Instructional Staff	782,227	919,800	919,800	0
Board of Education	50,420	56,643	56,642	1
Administration	898,168	930,977	930,977	0
Fiscal	302,494	290,063	289,275	788
Business	5,000	4,418	4,418	0
Operation and Maintenance of Plant	1,227,263	1,156,178	1,156,174	4
Pupil Transportation	822,796	793,492	793,492	0
Central	114,434	86,917	86,917	0
Operation of Non-Instructional Services	10,500	16,667	16,667	0
Extracurricular Activities	207,820	226,160	226,160	0
Capital Outlay	0	0	0	0
Principal	35,000	35,000	35,000	0
Interest	6,988	6,988	6,988	0
<i>Total Expenditures</i>	11,455,853	11,207,514	11,206,422	1,092
<i>Excess of Revenues Over Expenditures</i>	50,877	524,661	528,330	3,669
Other Financing Sources				
Refund of Prior Year Expenditures	1,000	4,951	4,951	0
Proceeds from Sale of Capital Assets	0	8,780	8,780	0
<i>Total Other Financing Sources</i>	1,000	13,731	13,731	0
<i>Net Change in Fund Balance</i>	51,877	538,392	542,061	3,669
<i>Fund Balance at Beginning of Year</i>	2,036,700	2,036,700	2,036,700	0
<i>Prior Year Encumbrances Appropriated</i>	161,191	161,191	161,191	0
<i>Fund Balance at End of Year</i>	\$2,249,768	\$2,736,283	\$2,739,952	\$3,669

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$15,985	\$56,322
Liabilities		
Undistributed Monies	0	\$56,322
Net Assets		
Held in Trust for Scholarships	15,985	
<i>Total Net Assets</i>	\$15,985	

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Year Ended June 30, 2012

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Contributions	\$4,015
Interest	123
	4,138
Total Additions	4,138
Deductions	
Total Deductions	0
	0
<i>Change in Net Assets</i>	4,138
<i>Net Assets at Beginning of Year</i>	11,847
	11,847
<i>Net Assets at End of Year</i>	\$15,985
	\$15,985

See Accompanying Notes to the Basic Financial Statements

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

East Clinton 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 Board controls the School District’s four instructional support facilities staffed by 77 non-certified employees, 108 teaching personnel, and six administrative employees providing education to 1,440 students.

Reporting Entity

The reporting entity is composed 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 East Clinton 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 six organizations, four of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a public entity shared risk pool. These organizations are the Miami Valley Educational Computer Association, the Great Oaks Institute of Technology and Career Development, the Southern Buckeye Conference, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan, and the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust. These organizations are presented in Notes 15 and 16 to the basic financial statements.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Clinton Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 usually distinguish between those activities that are governmental and those that are considered business-type. The School District, however, 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 in 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 funds 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. The 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 are financed. Governmental funds focus 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 and report 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.

Bond Retirement Fund - The Bond Retirement Fund is used to account for and report the accumulation of resources for and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

Permanent Improvement Fund - This fund accounts for and reports all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, of the Ohio Revised Code.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements 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.

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 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 sixty 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, grants, and accrued interest.

Deferred Revenue

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 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.

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 agency funds, 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. Although the legal level of budgetary control was established at the fund level of expenditures, the School District has elected to present budgetary statement comparisons at the fund and function level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. 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 that was in effect at the time the final appropriations were passed.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2012, the School District's investments were limited to Goldman Sachs Financial Square Money Market Mutual Fund, U.S. Treasury Money Market Mutual Fund, Negotiable CD's and Student Loan Marketing Association Notes. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as negotiable certificates of deposit are reported at cost. For investments in open-ended mutual funds, the fair value is determined by the fund's current share price.

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 2012 amounted to \$40,130, which includes \$15,309 assigned from other School District funds.

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

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of purchased and donated food held for resale and consumable supplies. Donated commodities are presented at their fair market value.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,500. 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, 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>
Buildings and Improvements	20-40 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	10 years

Compensated Absences

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

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and special termination benefits 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 that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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.

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 the 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, music and athletic programs, student activities, and federal and State grants restricted to expenditures 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.

Internal Activity

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and issuance costs 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 compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the current period. Interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

As permitted by Sate statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

Gain/Loss on Advance Refunding

On the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an increase/reduction of the face amount of the new debt.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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 are 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 Board of Education. Those committed amounts cannot be used for any other purpose unless the School District 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 Board of Education or a School District official delegated that authority by resolution or by State Statute.

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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

Fund Balances	General	Bond Retirement	Permanent Improvement	All Other Governmental Funds	Total
<i>Nonspendable</i>					
Endowment Fund	\$0	\$0	\$0	\$300,000	\$300,000
Inventory	0	0	0	2,517	2,517
<i>Total Nonspendable</i>	0	0	0	302,517	302,517
<i>Restricted for</i>					
Debt Payments	0	299,685	0	0	299,685
Food Service Operations	0	0	0	337,679	337,679
District Managed Activity	0	0	0	34,776	34,776
Capital Maintenance	0	0	0	325,502	325,502
Capital Improvements	0	0	438,199	0	438,199
Library Services	0	0	0	51,388	51,388
Fine Arts Activity	0	0	0	33,018	33,018
<i>Total Restricted</i>	0	299,685	438,199	782,363	1,520,247
<i>Committed to</i>					
Underground Storage	11,000	0	0	0	11,000
Termination Benefits	10,377	0	0	0	10,377
<i>Total Committed</i>	21,377	0	0	0	21,377
<i>Assigned to</i>					
Other Purposes	514,582	0	0	0	514,582
<i>Unassigned (Deficit)</i>	1,386,305	0	0	(107,094)	1,279,211
<i>Total Fund Balances</i>	\$1,922,264	\$299,685	\$438,199	\$977,786	\$3,637,934

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 4 - ACCOUNTABILITY

At June 30, 2012, the Education Jobs, Title VI-B, Title I, and Improving Teacher Quality Special Revenue Funds had deficit fund balances in the amounts of \$75,547, \$12,953, \$14,562, and \$4,032, respectively. The deficits in these funds were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 (Non-GAAP Basis) and Actual is presented for the General Fund 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 as restricted, committed, or assigned fund balance (GAAP basis).
4. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$834,054
Adjustments:	
Revenue Accruals	(41,020)
Net Increase in Fair Value of Investments - Fiscal Year 2011	2,589
Net Decrease in Fair Value of Investments - Fiscal Year 2012	2,552
Unreported Cash/Interest:	
Beginning of Fiscal Year	20,736
End of Fiscal Year	(43,042)
Expenditure Accruals	(118,781)
Encumbrances	(115,027)
Budget Basis	\$542,061

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.

Inactive deposits are public deposits that the Board 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.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the 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);
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.

Investments

As of June 30, 2012, the School District had the following investments, which are in an internal investment pool:

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investment Type	Fair Value	Investment Maturities (in Years)			Moody Rating	Percent of Total Investments
		Less Than 1	1-3	3-5		
Goldman Sachs Financial Square Money Market Mutual Fund	\$10,101	\$10,101	\$0	\$0	Aaa	N/A
U.S. Treasury Money Market Mutual Fund	9,506	9,506	0	0	Aaa	N/A
Negotiable Certificates of Deposit	1,243,660	215,477	1,002,911	25,272	N/A	96.53%
Student Loan Marketing Association Notes	25,143	0	25,143	0	Aaa	1.95%
Total Investments	\$1,288,410	\$235,084	\$1,028,054	\$25,272		

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The Goldman Sachs Financial Square Money Market Mutual Fund, U.S. Treasury Money Market Mutual Fund and Student Loan Marketing Association Notes carry ratings of AAA by Moody's. Ohio law requires that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices. The negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The student loan marketing association notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 and public utility property (used in business) located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected 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 School District receives property taxes from Clinton and Highland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amounts available to advance at June 30, 2012, were \$218,362 in the General Fund, \$24,788 in the Bond Retirement Fund, \$25,912 in the Permanent Improvement Fund, and \$4,214 in the Classroom Facilities Maintenance Fund. The amounts available to advance at June 30, 2011, were \$179,681 in the General Fund, \$19,836 in the Bond Retirement Fund, \$22,517 in the Permanent Improvement Fund, and \$3,655 in the Classroom Facilities Maintenance Fund.

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

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 7 - PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2012 taxes were collected are:

	<u>2011 Second- Half Collections</u>		<u>2012 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$121,255,610	96.35%	\$133,537,060	96.67%
Public Utility	4,592,200	3.65%	4,601,080	3.33%
Total Assessed Value	<u>\$125,847,810</u>	<u>100.00%</u>	<u>\$138,138,140</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$35.30		 \$35.30	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012, consisted of interest, intergovernmental grants, interfund, and property taxes. All receivables, except delinquent property taxes, are considered collectible in full and will be received in one year, due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquencies 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>
Title VI-B - Grant	\$46,548
Title I Grant	58,865
Title II-D	2,619
Title II-A	12,150
Total Intergovernmental Receivables	<u>\$120,182</u>

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Deductions	Balance at 6/30/12
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$426,976	\$0	\$0	\$426,976
Capital Assets Being Depreciated:				
Buildings and Improvements	23,825,964	102,784	0	23,928,748
Furniture, Fixtures and Equipment	2,335,724	300,839	0	2,636,563
Vehicles	1,167,296	103,255	(74,499)	1,196,052
Total Capital Assets Being Depreciated	<u>27,328,984</u>	<u>506,878</u>	<u>(74,499)</u>	<u>27,761,363</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(9,854,033)	(654,550)	0	(10,508,583)
Furniture, Fixtures and Equipment	(1,972,004)	(66,332)	0	(2,038,336)
Vehicles	(707,084)	(100,409)	67,049	(740,444)
Total Accumulated Depreciation	<u>(12,533,121)</u>	<u>(821,291) *</u>	<u>67,049</u>	<u>(13,287,363)</u>
Total Capital Assets Being Depreciated, Net	<u>14,795,863</u>	<u>(314,413)</u>	<u>(7,450)</u>	<u>14,474,000</u>
Governmental Activities Capital Assets, Net	<u>\$15,222,839</u>	<u>(\$314,413)</u>	<u>(\$7,450)</u>	<u>\$14,900,976</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$539,042
Special	1,991
Vocational	11,111
Support Services:	
Administration	13,448
Operation and Maintenance of Plant	96,158
Pupil Transportation	115,597
Operation of Non-Instructional Services	6,802
Extracurricular Activities	37,142
Total Depreciation Expense	<u>\$821,291</u>

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 10 - RISK MANAGEMENT

Property and Liability

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 2012, the School District contracted with Arthur J. Gallagher & Co. for property and fleet insurance and liability insurance.

Settled claims have not exceeded this coverage in any of the past three fiscal years. There have been no significant changes in coverage during the fiscal year.

Workers' Compensation

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

Medical and Dental Benefits

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool (Note 16). The School District pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 11 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit 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 Ohio Revised Code Chapter 3309. 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.

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 statutory maximum amounts 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, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 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, 2012, 2011, and 2010, were \$353,179, \$308,559, and \$277,066, respectively. For fiscal year 2012, 66.60 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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 system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

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, 2012, plan members were required to contribute 10 percent of their annual covered salary. 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 to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$616,531 for the fiscal year ended June 30, 2012, \$617,044 for the fiscal year ended June 30, 2011, and \$703,222 for the fiscal year ended June 30, 2010. For fiscal year 2012, 98.44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$6,834 made by the School District and \$4,882 made by the plan members. In addition, member contributions of \$13,968 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 12 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans 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 obligation 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 fiscal year 2012, 0.55 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 fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$25,071 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, 2012, 2011, and 2010, were \$43,765, \$66,150, and \$38,806, respectively. For fiscal year 2012, 66.60 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$20,857, \$19,856, and \$16,477 respectively. For fiscal year 2012, 66.60 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$47,425, \$47,465, and \$54,094, respectively. For fiscal year 2012, 98.44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees at the end of each fiscal year. 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 200 days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 50 days. An employee who has the maximum number of sick leave days accumulated at the time of retirement, shall receive an additional three days severance.

Insurance Benefits

The School District provides life insurance to all employees, except substitutes, through Sun Life, and pays 100 percent of the premium.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 13 - EMPLOYEE BENEFITS (Continued)

Retirement Incentive

The School District offers a retirement incentive for certified employees who retire in the fiscal year they are first eligible. Eligible employees receive a \$12,000 lump sum payment. The Board may make the payment in two equal installments. The first payment shall be made within 15 days of the Treasurer's receipt of written confirmation from STRS that the employee is retired and receiving STRS benefits. The second payment shall be made the following January.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/2011	Additions	Deductions	Amount Outstanding 6/30/2012	Amounts Due in One Year
<u>Governmental Activities:</u>					
2003 School Improvement					
Refunding Bonds:					
Serial Bonds 1.50%-4.10%	\$1,100,000	\$0	\$260,000	\$840,000	\$270,000
Capital Appreciation Bonds 16.56%	144,998	0	0	144,998	0
Accretion on Capital					
Appreciation Bonds	396,856	101,916	0	498,772	0
Premium on Debt Issuance	154,740	0	25,790	128,950	0
Deferred Amount on Refunding	(136,322)	0	(19,474)	(116,848)	0
Total Refunded Bonds	1,660,272	101,916	266,316	1,495,872	270,000
Energy Conservation Bonds 2010	555,000	0	35,000	520,000	35,000
Compensated Absences	364,406	30,723	16,928	378,201	31,197
TOTAL - Governmental Activities					
Long-term Obligations	<u>\$2,579,678</u>	<u>\$132,639</u>	<u>\$318,244</u>	<u>\$2,394,073</u>	<u>\$336,197</u>

School Improvement Refunding Bonds 2003

On October 28, 2003, the School District issued \$2,899,998 in general obligation bonds for the purpose of advance refunding the 1995 School Improvement Bonds. Of these bonds, \$2,755,000 are serial bonds and \$144,998 are capital appreciation bonds. The bonds were issued for a 14 year period, with final maturity in December, 2017. The bonds will be retired from the Bond Retirement Fund.

The serial bonds maturing December 1, 2016, and December 1, 2017, are subject to optional redemption, in whole or in part on any date in any order of maturity on or after December 1, 2013, at par, which is 100 percent of the face value of the bonds.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal years 2014 through 2016. The maturity amount of the capital appreciation bonds will be \$275,000 in 2014 and \$280,000 per fiscal year in 2015 and 2016. For fiscal year 2012, the capital appreciation bonds were accreted \$101,916.

The School District defeased the 1995 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. All the bonds were called and paid.

Energy Conservation Bonds 2010

On February 5, 2010, the School District issued \$595,000 in energy conservation bonds for the purpose of making energy efficient upgrades. The bonds were issued for a 15 year period with final maturity in December, 2024. The bonds will be retired from the General Fund.

Compensated absences will be paid from the General Fund.

The School District's voted legal debt margin was \$11,747,120, with an energy conservation debt margin of \$723,243 and an unvoted debt margin of \$138,138 at June 30, 2012.

Principal and interest requirements to retire bonds outstanding at June 30, 2012, are as follows:

School Improvement Refunding Bonds 2003

Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Bonds Principal	Capital Appreciation Bonds Interest	Total
2013	\$270,000	\$27,860	\$0	\$0	\$297,860
2014	0	242,515	55,575	219,425	517,515
2015	0	254,829	48,261	231,739	534,829
2016	0	261,927	41,162	238,838	541,927
2017	280,000	11,545	0	0	291,545
2018	290,000	11,890	0	0	301,890
Total	<u>\$840,000</u>	<u>\$810,566</u>	<u>\$144,998</u>	<u>\$690,002</u>	<u>\$2,485,566</u>

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

<u>Energy Conservation Bonds 2010</u>			
Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$35,000	\$6,533	\$41,533
2014	35,000	6,078	41,078
2015	40,000	5,590	45,590
2016	40,000	5,070	45,070
2017	40,000	4,550	44,550
2018-2022	200,000	15,795	215,795
2023-2025	130,000	1,756	131,756
Total	\$520,000	\$45,372	\$565,372

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association

The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene, Highland and Madison 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 districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts, except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$44,596 for services provided during fiscal year 2012. Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possess its own budgetary and taxing authority. Great Oaks offers career technical programs to high school juniors and seniors of the School District. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 E. Kemper Road, Cincinnati, OH 45241-1581.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southern Buckeye Conference

The Southern Buckeye Conference provides sporting events for the students of the participating districts. The governing board consists of each participating high school's principal. The Southern Buckeye Conference does not acquire financial resources and in no way will it cause financial stress on the School District.

Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 130 school districts and educational service centers in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to the SOEPC are made from the General Fund. During fiscal year 2012, the School District paid \$874 to SOEPC for membership dues. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 16 - INSURANCE PURCHASING POOL AND PUBLIC ENTITY SHARED RISK POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP's business and affairs are conducted by the Southwestern Ohio Educational Purchasing Cooperative and the participating members of the GRP. The Benefits Administrator of the SOEPC coordinates the management and administration of the GRP. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 16 - INSURANCE PURCHASING POOL AND PUBLIC ENTITY SHARED RISK POOL (Continued)

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 17 - 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 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.

The following cash basis information describes the change in the year-end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisitions
Set-aside Balance as of June 30, 2011	\$0
Current Fiscal Year Set-aside Requirement	247,968
Current Fiscal Year Offsets	(247,968)
Qualifying Disbursements	0
<i>Totals</i>	\$0
<i>Set-aside Balance as of June 30, 2012</i>	\$0

Amounts of offsets presented in the table for capital acquisitions were limited to those necessary to reduce the fiscal year-end balance to zero. In previous fiscal years, the School District was required to have a textbook set-aside requirement. Effective July 1, 2011, House Bill 30 of the 129th General Assembly repealed the textbook requirement.

East Clinton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 18 - INTERFUND ACTIVITY

As of June 30, 2012, receivables and payables that resulted from various interfund transactions were as follows:

		Receivable
Payable	All Other Governmental	General
		\$2,874

The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the Other Governmental Funds. All amounts are expected to be repaid in one year.

NOTE 19 - CONTINGENCIES

Student Attendance and Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

The School District is not currently party to legal proceedings.

SUPPLEMENTARY DATA

**EAST CLINTON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(D)(E) Child Nutrition Grant Cluster: School Breakfast Program	10.553	2012	\$ 111,704	\$ 111,704
(C)(E) National School Lunch Program-Food Donations	10.555	2012	34,469	34,469
(D)(E) National School Lunch Program	10.555	2012	303,121	303,121
Total National School Lunch Program			337,590	337,590
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			449,294	449,294
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
(F)(H) Title I Grants to Local Educational Agencies	84.010	2011	45,658	53,975
(F)(H) Title I Grants to Local Educational Agencies	84.010	2012	347,492	346,923
Total Title I Grants to Local Educational Agencies			393,150	400,898
(F) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	1,661	6,267
Total Title I Grant Cluster			394,811	407,165
Special Education Grant Cluster:				
(G) Special Education Grants to States	84.027	2011	28,469	44,084
(G) Special Education Grants to States	84.027	2012	244,656	244,634
Total Special Education Grants to States			273,125	288,718
(G)(H) Special Education Preschool Grants	84.173	2011	283	-
(G)(H) Special Education Preschool Grants	84.173	2012	7,542	7,542
Total Special Education Preschool Grants			7,825	7,542
(G) ARRA Special Education Grants to States, Recovery Act	84.391	2012	5,586	9,848
(G) ARRA Special Education Preschool Grants, Recovery Act	84.392	2011	899	1,029
Total Special Education Grant Cluster			287,435	307,137
Educational Technology State Grants	84.318	2011	-	27
Educational Technology State Grants	84.318	2012	-	2,619
Total Educational Technology State Grants			-	2,646
Improving Teacher Quality State Grants	84.367	2011	10,299	11,763
Improving Teacher Quality State Grants	84.367	2012	93,403	93,658
Total Improving Teacher Quality State Grants			103,702	105,421
Education Jobs Grant	84.410	2012	456,421	454,832
Total U.S. Department of Education			1,242,369	1,277,201
Total Federal Financial Assistance			\$ 1,691,663	\$ 1,726,495

- (A) OAKS did not assign pass through numbers for fiscal year 2012.
 (B) This schedule was prepared on the cash basis of accounting.
 (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market value.
 (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
 (E) Included as part of the "Child Nutrition Grant Cluster" in determining major programs.
 (F) Included as part of the "Title I Grant Cluster" in determining major programs.
 (G) Included as part of the "Special Education Grant Cluster" in determining major programs.
 (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2012, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2011	\$ 128	
Title I Grants to Local Educational Agencies	84.010	2012		\$ 128
Special Education Preschool Grants	84.173	2011	2,510	
Special Education Preschool Grants	84.173	2012		2,510
Totals			\$ 2,638	\$ 2,638



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

East Clinton Local District
97 Astro Way
Sabina, Ohio 45169

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Clinton Local School District, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise East Clinton Local School District's basic financial statements and have issued our report thereon dated January 24, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the East Clinton Local 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 East Clinton Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the East Clinton Local 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 East Clinton Local 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.

Board of Education
East Clinton Local School District

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 24, 2013



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

East Clinton Local School District
97 Astro Way
Sabina, Ohio 45169

To the Board of Education:

Compliance

We have audited the compliance of the East Clinton Local 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 East Clinton Local School District's major federal programs for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the East Clinton Local School District's major federal programs. The East Clinton Local 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 opine on the East Clinton Local School District's compliance based on our audit.

Our compliance audit followed 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*. These 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 East Clinton Local 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 East Clinton Local School District's compliance with those requirements.

In our opinion, the East Clinton 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 fiscal year ended June 30, 2012.

Internal Control Over Compliance

The East Clinton Local 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 East Clinton Local 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 East Clinton Local School District's internal control over compliance.

Board of Education
East Clinton Local School District

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

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

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



Julian & Grube, Inc.
January 24, 2013

**EAST CLINTON LOCAL SCHOOL DISTRICT
CLINTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Child Nutrition Grant Cluster: School Breakfast Program, CFDA #10.553 and National School Lunch Program, CFDA #10.555; Education Jobs Fund, CFDA #84.410
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

EAST CLINTON LOCAL SCHOOL DISTRICT

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 14, 2013**