



Balestra, Harr & Scherer, CPAs, Inc.

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

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CLAY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2013
Fiscal Year Audited Under GAGAS: 2013



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Clay Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 25, 2014

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**CLAY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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Balestra, Harr & Scherer, CPAs, Inc.

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

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay Local School District, Scioto County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay Local School District, Scioto County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standards Board Statements (GASB) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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, the Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and on compliance, and the results of that testing and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
January 20, 2014

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

As management of the Clay Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- Net Position of governmental activities decreased \$816,144, which is significant.
- General Revenues accounted for \$4,389,644. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,419,675 of total revenues of \$6,809,319.
- The School District had \$7,625,463 in expenses related to governmental activities; only \$2,419,675 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General Revenues (primarily grants, entitlements and property taxes) of \$4,389,644 were not adequate enough to provide for these programs.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2013?"

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The Statement of Net Position 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 deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's Net Position and changes in net position. The change in net position 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 nine. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal years 2013 and 2012:

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

(Table 1)
Net Position

	Governmental Activities		Increase/ (Decrease)
	2013	2012	
Assets			
Current Assets	\$2,740,475	\$3,278,720	(\$538,245)
Capital Assets, Net	22,628,232	23,244,980	(616,748)
Total Assets	<u>25,368,707</u>	<u>26,523,700</u>	<u>(1,154,993)</u>
Liabilities			
Other Liabilities	935,226	1,169,235	(234,009)
Long-Term Liabilities	5,881,728	6,040,458	(158,730)
Total Liabilities	<u>6,816,954</u>	<u>7,209,693</u>	<u>(392,739)</u>
Deferred Inflows of Resources			
Property Taxes	<u>1,227,778</u>	<u>1,173,888</u>	<u>53,890</u>
Net Position			
Net Investment in Capital Assets	17,169,142	17,707,659	(538,517)
Restricted	604,122	1,131,586	(527,464)
Unrestricted (Deficit)	(449,289)	(699,126)	249,837
Total Net Position	<u>\$17,323,975</u>	<u>\$18,140,119</u>	<u>(\$816,144)</u>

Total Assets of governmental activities decreased \$1,154,993. Current Assets decreased \$538,245 primarily due to a decrease in cash and investments relating to the School District continuing to pay for services associated with the construction of the new facility. Capital Assets decreased \$616,748 as a result of current year depreciation.

Total Liabilities also had a decrease of \$392,739 for fiscal year 2013 when compared to the prior fiscal year. This decrease was primarily due to a decrease in Accrued Wages and Benefits and Intergovernmental Payables associated with the School District's reduction in staff along with a reduction in Retainage Payable relating to the School District continuing to pay for services associated with the construction of the new facility.

Net Investment in Capital Assets for governmental activities decreased \$538,517. The decrease is due to current year depreciation. Restricted Net Assets decreased \$527,464 as a result of the School District continuing to pay expenses related to the construction project. Unrestricted Net Assets for governmental activities increased \$249,837 as a result the School District transferring money into the Ohio School Facilities Construction Project Fund during fiscal year 2013. Since the beginning of the project, information was not relayed to the Treasurer properly and payments to contractors

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

were paid from the wrong fund, thus causing a significantly large negative net position at the end of fiscal year 2012, which was classified as unrestricted net position. Steps were taken this year to help correct this issue.

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

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

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

(Table 2)
Change in Net Position

	Governmental Activities		Increase/ (Decrease)
	2013	2012	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,377,958	\$1,372,723	\$5,235
Operating Grants, Contributions, and Interest	1,041,717	1,163,071	(121,354)
Total Program Revenues	<u>2,419,675</u>	<u>2,535,794</u>	<u>(116,119)</u>
General Revenues:			
Property Taxes Levied for:			
General Purposes	1,007,542	955,716	51,826
Debt Service	307,816	292,470	15,346
Other Purposes	23,883	22,647	1,236
Grants and Entitlements not			
Restricted to Specific Programs	2,822,075	2,722,826	99,249
Contributions and Donations	0	33,775	(33,775)
Investment Earnings	1,040	5,803	(4,763)
Miscellaneous	227,288	196,960	30,328
Total General Revenues	<u>4,389,644</u>	<u>4,230,197</u>	<u>159,447</u>
Total Revenues	<u>\$6,809,319</u>	<u>\$6,765,991</u>	<u>\$43,328</u>

(continued)

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

(Table 2)
Change in Net Position
(continued)

	Governmental Activities		Increase/ (Decrease)
	2013	2012	
Program Expenses			
Instruction:			
Regular	\$3,721,471	\$4,213,056	(\$491,585)
Special	631,497	628,584	2,913
Vocational	0	464	(464)
Student Intervention Services	27,104	110,517	(83,413)
Support Services:			
Pupils	288,013	444,799	(156,786)
Instructional Staff	398,283	710,780	(312,497)
Board of Education	6,816	39,316	(32,500)
Administration	688,388	716,362	(27,974)
Fiscal	109,742	196,158	(86,416)
Operation and Maintenance of Plant	560,383	858,445	(298,062)
Pupil Transportation	323,201	430,296	(107,095)
Central	39,696	149,333	(109,637)
Operation of Non-Instructional Services:			
Food Service Operations	314,203	430,248	(116,045)
Extracurricular Activities	127,419	150,226	(22,807)
Interest and Fiscal Charges	389,247	280,782	108,465
Total Expenses	<u>7,625,463</u>	<u>9,359,366</u>	<u>(1,733,903)</u>
Change in Net Position	(816,144)	(2,593,375)	1,777,231
Net Position at Beginning of Year	<u>18,140,119</u>	<u>20,733,494</u>	<u>(2,593,375)</u>
Net Positions at End of Year	<u><u>\$17,323,975</u></u>	<u><u>\$18,140,119</u></u>	<u><u>(\$816,144)</u></u>

Governmental Activities

Program Revenues, which are primarily represented by charges for services, tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues were \$2,419,675 of Total Revenues for fiscal year 2013 and varied from fiscal year 2012. Operating Grants and Contributions decreased mainly due to the Education Jobs grant ending during fiscal year 2012.

As previously mentioned, General Revenues were \$4,389,644 of Total Revenues for fiscal year 2013 and were insignificantly higher than the prior fiscal year. Grants and Entitlements Not Restricted to Specific Programs increased \$99,249 from the prior fiscal year due to an increase in school funding which was associated with a slight increase in student enrollment.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

As should be expected, Instruction costs represent the largest of the School District's expenses, \$4,380,072 for fiscal year 2013. Total Instruction costs decreased \$572,549. The largest decrease was in the Regular Instruction program which decreased \$491,585 due mainly to the reduction of staff. The Instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including Pupils, Instructional Staff, and Pupil Transportation account for \$1,009,497 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of \$560,383 and decreased from the prior fiscal year resulting from work being completed on the new facilities during fiscal year 2012 that was not capitalized.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,774,917 and expenditures of \$7,048,781. The net change in fund balance for the fiscal year was most significant in the Ohio School Facilities Construction Project Capital Projects Fund, an increase of \$241,112 which was the result of the School District transferring monies from the School District's local share of the construction project into the Ohio School Facilities Construction Project Capital Projects Fund. This transfer was necessary because, in prior years, information was not relayed to the Treasurer properly and payments to contractors were paid from the wrong fund. This transfer was a step in fixing this issue.

The General Fund balance increased \$1,366, which is insignificant.

The Bond Retirement Fund balance increased \$34,031, which is insignificant.

General Fund - Budget Highlights

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

During the course of fiscal year 2013, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A review of the budgetary comparison statement for the General Fund reflects an increase of \$207,348 between the original budget and final budget basis revenue. This increase is primarily the result of the School District receiving additional tuition and fees that was unanticipated at the start of the fiscal year. This resulted from an increase in open enrollment students attending the School District.

Final estimated expenditures were \$5,640,836, with original estimated expenditures of \$5,482,355. This difference of \$158,481 was mainly due to the unexpected retirement of some teachers along with the General Fund absorbing some of the costs associated with the Education Jobs program that ended during fiscal year 2012.

CLAY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Capital Assets

At the end of fiscal year 2013, the School District had \$22,628,232 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. The decrease was due to current year depreciation.

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

Debt

At June 30, 2013, the School District's outstanding debt obligations included general obligation bonds of \$5,005,000. The bonds will be fully retired in fiscal year 2037. The School District's long-term obligations also include a premium and accretion on the general obligation bonds, an Ohio School Facilities Commission Hardship Loan with an outstanding balance of \$133,353, an outstanding lease-purchase agreement for new school buses in the amount of \$33,000, and compensated absences.

The School District's overall legal debt margin was \$133,162 with an unvoted debt margin of \$55,207 at June 30, 2013.

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

Contacting the School District's Financial Management

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

BASIC FINANCIAL STATEMENTS

CLAY LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$713,348
Cash and Cash Equivalents	156,303
Cash and Cash Equivalents with Escrow Agent	218,926
Materials and Supplies Inventory	3,913
Inventory Held for Resale	4,019
Accounts Receivable	46,096
Prepaid Items	5,320
Property Taxes Receivable	1,495,169
Intergovernmental Receivable	97,381
Capital Assets:	
Land	38,512
Depreciable Capital Assets, Net	<u>22,589,720</u>
<i>Total Assets</i>	<u>25,368,707</u>
<u>Liabilities:</u>	
Accounts Payable	17,065
Contracts Payable	68,811
Accrued Wages and Benefits Payable	396,722
Matured Compensated Absences	59,036
Intergovernmental Payable	154,855
Accrued Interest Payable	19,811
Retainage Payable	218,926
Long-Term Liabilities:	
Due Within One Year	232,584
Due in More Than One Year	<u>5,649,144</u>
<i>Total Liabilities</i>	<u>6,816,954</u>
<u>Deferred Inflows of Resources</u>	
Property Taxes	<u>1,227,778</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	17,169,142
Restricted for Debt Service	4,374
Restricted for Capital Outlay	413,233
Restricted for Other Purposes:	
Classroom Facilities Maintenance	132,624
Food Service	7,077
Athletics	8,172
Other Grants	4,880
State and Local Grants	33,762
Unrestricted (Deficit)	<u>(449,289)</u>
<i>Total Net Position</i>	<u><u>\$17,323,975</u></u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Total Governmental Activities	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$3,721,471	\$1,250,652	\$155,830	(\$2,314,989)
Special	631,497	0	538,933	(92,564)
Student Intervention Services	27,104	0	0	(27,104)
Support Services:				
Pupils	288,013	21,485	9,559	(256,969)
Instructional Staff	398,283	0	82,104	(316,179)
Board of Education	6,816	0	0	(6,816)
Administration	688,388	0	0	(688,388)
Fiscal	109,742	0	0	(109,742)
Operation and Maintenance of Plant	560,383	0	5,742	(554,641)
Pupil Transportation	323,201	0	6,472	(316,729)
Central	39,696	0	0	(39,696)
Operation of Non-Instructional Services:				
Food Service Operations	314,203	59,436	226,661	(28,106)
Extracurricular Activities	127,419	46,385	16,416	(64,618)
Interest and Fiscal Charges	389,247	0	0	(389,247)
<i>Total Governmental Activities</i>	<u>\$7,625,463</u>	<u>\$1,377,958</u>	<u>\$1,041,717</u>	<u>(5,205,788)</u>
 <u>General Revenues:</u>				
Property Taxes Levied for:				
				1,007,542
				307,816
				23,883
Grants and Entitlements not				
				2,822,075
				1,040
				227,288
				<u>4,389,644</u>
				<i>Change in Net Position</i>
				(816,144)
				<i>Net Position at Beginning of Year</i>
				18,140,119
				<i>Net Position at End of Year</i>
				\$17,323,975

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Bond Retirement</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$335,082	\$148,273
Cash and Cash Equivalents	0	0
Receivables:		
Property Taxes	1,124,947	343,579
Accounts	46,096	0
Intergovernmental	0	0
Interfund	288	0
Prepaid Items	5,320	0
Materials and Supplies Inventory	2,530	0
Inventory Held for Resale	0	0
Restricted Assets:		
Cash and Cash Equivalents with Escrow Agent	0	0
	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u><u>\$1,514,263</u></u>	<u><u>\$491,852</u></u>
<u>Liabilities and Fund Balances:</u>		
<u>Liabilities:</u>		
Accounts Payable	\$14,202	\$0
Contracts Payable	0	0
Accrued Wages and Benefits Payable	333,801	0
Intergovernmental Payable	142,086	0
Interfund Payable	0	0
Retainage Payable from Restricted Assets	0	0
Matured Compensated Absences Payable	59,036	0
	<u>59,036</u>	<u>0</u>
<i>Total Liabilities</i>	<u>549,125</u>	<u>0</u>
<u>Deferred Inflows of Resources:</u>		
Property Taxes	924,336	281,590
Unavailable Revenue	132,571	40,735
	<u>132,571</u>	<u>40,735</u>
<i>Total Deferred Inflows of Resources</i>	<u>1,056,907</u>	<u>322,325</u>
<u>Fund Balances:</u>		
Nonspendable	7,850	0
Restricted	0	169,527
Assigned	115,382	0
Unassigned (Deficits)	(215,001)	0
	<u>(215,001)</u>	<u>0</u>
<i>Total Fund Balances (Deficits)</i>	<u>(91,769)</u>	<u>169,527</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$1,514,263</u></u>	<u><u>\$491,852</u></u>

See accompanying notes to the basic financial statements

Ohio School Facilities Construction Project	Nonmajor Governmental Funds	Total Governmental Funds
\$0	\$229,993	\$713,348
30,807	125,496	156,303
0	26,643	1,495,169
0	0	46,096
20,188	77,193	97,381
0	0	288
0	0	5,320
0	1,383	3,913
0	4,019	4,019
<u>218,926</u>	<u>0</u>	<u>218,926</u>
<u>\$269,921</u>	<u>\$464,727</u>	<u>\$2,740,763</u>
\$0	\$2,863	\$17,065
68,811	0	68,811
0	62,921	396,722
0	12,769	154,855
0	288	288
218,926	0	218,926
<u>0</u>	<u>0</u>	<u>59,036</u>
<u>287,737</u>	<u>78,841</u>	<u>915,703</u>
0	21,852	1,227,778
<u>20,188</u>	<u>36,484</u>	<u>229,978</u>
<u>20,188</u>	<u>58,336</u>	<u>1,457,756</u>
0	1,383	9,233
0	280,651	450,178
0	64,803	180,185
<u>(38,004)</u>	<u>(19,287)</u>	<u>(272,292)</u>
<u>(38,004)</u>	<u>327,550</u>	<u>367,304</u>
<u>\$269,921</u>	<u>\$464,727</u>	<u>\$2,740,763</u>

CLAY LOCAL SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
For the Fiscal Year Ended June 30, 2013

Total Governmental Fund Balances \$367,304

*Amounts reported for governmental activities in the
Statement of Net Position 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	38,512	
Other capital assets	26,986,555	
Accumulated depreciation	<u>(4,396,835)</u>	
Total capital assets		22,628,232

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

Delinquent property taxes	176,457	
Intergovernmental	<u>53,521</u>	
		229,978

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

General obligation bonds:		
Serial Bonds	(75,000)	
Term Bonds	(4,800,000)	
Capital Appreciation Bonds	(130,000)	
Capital Leases	(33,000)	
Accretion on Captital Appreciation Bonds	(180,506)	
Loans Payable	(133,353)	
Premium on general obligation bonds	(186,077)	
Accrued interest payable	(19,811)	
Compensated absences	<u>(343,792)</u>	
Total liabilities		<u>(5,901,539)</u>

Net Position of Governmental Activities \$17,323,975

See accompanying notes to the basic financial statements

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CLAY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Bond Retirement
<u>Revenues:</u>		
Property Taxes	\$1,000,719	\$305,765
Intergovernmental	2,995,214	49,327
Investment Earnings	769	271
Tuition and Fees	1,250,652	0
Extracurricular Activities	21,485	0
Charges for Services	0	0
Contributions and Donations	9,559	0
Miscellaneous	220,577	0
	Total Revenues	355,363
<u>Expenditures:</u>		
Current:		
Instruction:		
Regular	3,154,768	0
Special	292,629	0
Student Intervention Services	17,833	0
Support Services:		
Pupils	252,504	0
Instructional Staff	240,162	0
Board of Education	6,816	0
Administration	646,274	0
Fiscal	75,937	8,573
Operation and Maintenance of Plant	447,316	0
Pupil Transportation	248,967	0
Central	1,320	0
Operation of Non-Instructional Services:		
Food Service Operations	0	0
Extracurricular Activities	67,447	0
Capital Outlay	0	0
Debt Service:		
Principal Retirement	26,671	107,000
Interest and Fiscal Charges	0	239,974
	Total Expenditures	355,547
Excess of Revenues Over (Under) Expenditures	20,331	(184)
<u>Other Financing Sources (Uses):</u>		
Transfers In	0	34,215
Transfers Out	(18,965)	0
	Total Other Financing Sources (Uses)	34,215
<i>Net Change in Fund Balances</i>	1,366	34,031
<i>Fund Balances (Deficits) at Beginning of Year</i>	(93,135)	135,496
<i>Fund Balances (Deficits) at End of Year</i>	(\$91,769)	\$169,527

See accompanying notes to the basic financial statements

Ohio School Facilities Construction Project	Nonmajor Governmental Funds	Total Governmental Funds
\$0	\$23,720	\$1,330,204
8,774	759,136	3,812,451
0	1	1,041
0	0	1,250,652
0	46,385	67,870
0	59,436	59,436
0	16,416	25,975
511	6,200	227,288
<u>9,285</u>	<u>911,294</u>	<u>6,774,917</u>
0	141,683	3,296,451
0	292,723	585,352
0	0	17,833
0	7,538	260,042
0	55,296	295,458
0	0	6,816
0	0	646,274
0	667	85,177
8,774	46,997	503,087
0	0	248,967
0	0	1,320
0	273,451	273,451
0	57,994	125,441
222,563	106,904	329,467
0	0	133,671
0	0	239,974
<u>231,337</u>	<u>983,253</u>	<u>7,048,781</u>
<u>(222,052)</u>	<u>(71,959)</u>	<u>(273,864)</u>
463,164	2,457	499,836
0	(480,871)	(499,836)
<u>463,164</u>	<u>(478,414)</u>	<u>0</u>
241,112	(550,373)	(273,864)
<u>(279,116)</u>	<u>877,923</u>	<u>641,168</u>
<u>(\$38,004)</u>	<u>\$327,550</u>	<u>\$367,304</u>

CLAY LOCAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds (\$273,864)

*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	1,320	
Depreciation expense	(618,068)	
Excess of depreciation expense over capital asset additions		(616,748)

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

Delinquent property taxes	9,037	
Intergovernmental	25,365	
		34,402

Accretion and amortization of bond premiums are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.

Amortization of bond premium	7,918	
Accretion on bonds	(47,997)	
		(40,079)

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 Position. In the current fiscal year, these amounts consist of:

Loan principal retirement	26,671	
Bond principal payments	75,000	
Capital lease payments	32,000	
Total long-term debt repayment		133,671

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:

Grants Canceled	(9,470)	
Increase in compensated absences payable	65,138	
Decrease in accrued interest payable	(109,194)	
Total increase		(53,526)

Change in Net Position of Governmental Activities (\$816,144)

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2013

	<u>Budget Amounts</u>			Variance With Final Budget Over/(Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property Taxes	\$1,101,000	\$991,327	\$991,327	\$0
Intergovernmental	3,298,042	2,995,214	2,995,214	0
Investment Earnings	1,000	769	769	0
Tuition and Fees	729,300	1,250,652	1,250,652	0
Extracurricular Activities	22,000	21,485	21,485	0
Contributions and Donations	8,600	9,559	9,559	0
Miscellaneous	100,000	198,284	198,284	0
<i>Total Revenues</i>	<u>5,259,942</u>	<u>5,467,290</u>	<u>5,467,290</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,759,736	3,144,020	3,144,020	0
Special	342,562	292,929	292,929	0
Vocational	871	0	0	0
Student Intervention Services	71,317	28,960	28,960	0
Support Services:				
Pupils	266,456	265,862	265,862	0
Instructional Staff	281,355	248,647	248,647	0
Board of Education	21,100	17,813	17,813	0
Administration	553,050	602,190	602,190	0
Fiscal	235,448	208,706	208,706	0
Operation and Maintenance of Plant	581,064	471,856	471,856	0
Pupil Transportation	249,606	267,507	267,507	0
Central	7,104	1,297	1,297	0
Extracurricular Activities	86,015	64,378	64,378	0
Debt Service:				
Principal Retirement	26,671	26,671	26,671	0
<i>Total Expenditures</i>	<u>5,482,355</u>	<u>5,640,836</u>	<u>5,640,836</u>	<u>0</u>
Excess of Revenues Under Expenditures	<u>(222,413)</u>	<u>(173,546)</u>	<u>(173,546)</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	1,000	0	0	0
Transfers Out	(20,000)	(16,524)	(16,524)	0
Advances In	25,000	9,194	9,194	0
Advances Out	(19,693)	(288)	(288)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(13,693)</u>	<u>(7,618)</u>	<u>(7,618)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(236,106)	(181,164)	(181,164)	0
<i>Fund Balance at Beginning of Year</i>	224,673	224,673	224,673	0
<i>Prior Year Encumbrances Appropriated</i>	<u>170,593</u>	<u>170,593</u>	<u>170,593</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$159,160</u>	<u>\$214,102</u>	<u>\$214,102</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	<u>\$500</u>	<u>\$19,090</u>
<u>Liabilities:</u>		
Undistributed Monies	<u>0</u>	<u>\$19,090</u>
<u>Net Position:</u>		
Held in Trust for Scholarships	<u>\$500</u>	

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
<u>Additions:</u>	
Contributions and Donations	\$500
<u>Deductions:</u>	
Scholarships	500
<i>Change in Net Position</i>	0
<i>Net Position at Beginning of Year</i>	500
<i>Net Position at End of Year</i>	\$500

See accompanying notes to the basic financial statements

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1909 through the consolidation of existing land areas and school districts. The School District serves an area of 19.93 square miles. It is located in Scioto County, and includes Clay Township. It is staffed by 22 classified employees, 47 certificated teaching personnel and four administrative employees who provide services to 599 students and other community members. The School District currently operates two instructional buildings and one storage building.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District. 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 a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are presented in Note 17 to the basic financial statements.

Jointly Governed Organizations:

- South Central Ohio Computer Association Council of Governments
(SCOCACoG)
- Coalition of Rural and Appalachian Schools
- Metropolitan Educational Council
- Southern Ohio Academy

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Public Entity Shared Risk Pool:
Optimal Health Initiatives Consortium

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Clay Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 Position 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 Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements normally distinguish between those activities that are governmental and those that are considered business-type activities; however, the School District has no business-type activities.

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. 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 are divided into two categories; governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 – The Bond Retirement Debt Service Fund is established 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.

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund which accounts for contributions received for scholarship programs and agency funds which account for student managed activity programs.

Measurement Focus

Government-wide Financial Statements

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

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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust funds are reported using the economic flow of resources measurement focus.

Basis of Accounting

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

Cash and Cash Equivalents

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

The School District has monies related to the Ohio School Facilities Commission Project and the School District's local share of the project invested separately from the School District's internal investment pool. These amounts are presented as "Cash and Cash Equivalents". The School District also has amounts in escrow accounts to hold retainage amounts still owed to contractors. These amounts are presented as "Restricted Assets: Cash and Cash Equivalents With Escrow Agent".

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 2013 amounted to \$769, which includes \$443 assigned from other School District funds.

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

Restricted Assets

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable". Interfund balances are eliminated in the Statement of Net Position.

CLAY LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

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

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 Position but are not reported in the fund financial statements.

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

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

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

Compensated Absences

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that payments come due each period upon the occurrence of employees resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. The Principal's amount assigned in the General Fund represents amounts to be assigned by principals for extracurricular activities. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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 fund balance.

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

Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Position restricted for other purposes include resources restricted for food service operations, music and athletic programs, donations received for athletic stadium renovations, property tax revenues received for the maintenance of facilities, 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 position is available.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for 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 and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgetary Process

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

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

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as a reduction/addition of the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciations bonds is recorded as an expenditure when the debt becomes due.

Estimates

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

NOTE 3 - 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:

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Fund Balances	General	Bond Retirement	Ohio School Facilities Construction Project	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>					
Prepays	\$5,320	\$0	\$0	\$0	\$5,320
Inventory	2,530	0	0	1,383	3,913
<i>Total Nonspendable</i>	7,850	0	0	1,383	9,233
<i>Restricted for</i>					
Food Service	0	0	0	6,093	6,093
Debt Payment	0	169,527	0	0	169,527
Student Activity	0	0	0	7,773	7,773
State and Federal Grants	0	0	0	11,816	11,816
Capital Improvements	0	0	0	125,496	125,496
Classroom Facilities	0	0	0	129,473	129,473
<i>Total Restricted</i>	0	169,527	0	280,651	450,178
<i>Assigned to</i>					
Capital Improvements	0	0	0	64,803	64,803
Purchases on Order	102,742	0	0	0	102,742
Principal's Fund	12,640	0	0	0	12,640
<i>Total Assigned</i>	115,382	0	0	64,803	180,185
<i>Unassigned (Deficits)</i>	(215,001)	0	(38,004)	(19,287)	(272,292)
<i>Total Fund Balances (Deficits)</i>	(\$91,769)	\$169,527	(\$38,004)	\$327,550	\$367,304

NOTE 4 - ACCOUNTABILITY

At June 30, 2013, the General Fund, Ohio School Facilities Construction Project Capital Project Fund, Public Preschool, IDEA-B, and Title I Special Revenue Funds, had deficit fund balances of \$91,769, \$38,004, \$12,780, \$3,085, and \$3,422, respectively. The General Fund deficit balance exists because sufficient revenues have not been generated to cover expenditures. The General Fund is liable for the deficits and provides transfers when cash is required, not when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

Net Change in Fund Balance	
GAAP Basis	\$1,366
Adjustments:	
Revenue Accruals	(31,685)
Expenditure Accruals	(41,212)
Encumbrances	(120,980)
Transfers	2,441
Advances	8,906
Budget Basis	(\$181,164)

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

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

Deposits:

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$906,210 of the School District's bank balance of \$1,156,210 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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 located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected in calendar year 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The Scioto County Treasurer collects property taxes on behalf of all governments in the County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the real property and public utility property taxes which are measurable as of June 30, 2013, 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 inflows – property taxes.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The amounts available as an advance at June 30, 2013, were \$68,040 in the General Fund and \$22,894 in Other Governmental Funds. The amounts available as an advance at June 30, 2012, were \$58,648 in the General Fund and \$19,745 in Other Governmental Funds.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources-unavailable revenue.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$51,683,940	94.13%	\$51,793,580	93.82%
Public Utility Personal	3,225,170	5.87%	3,413,470	6.18%
Total Assessed Value	\$54,909,110	100.00%	\$55,207,050	100.00%
Tax rate per \$1,000 of assessed valuation	\$32.02		\$32.02	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2013, consisted of property taxes, accounts, intergovernmental grants and interfund. All receivables are considered collectible in full and will be received within one fiscal year with the exception of the property taxes. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<u>Governmental Activities:</u>	
Ohio School Facilities Commission Grant	\$20,188
Title I	42,365
Special Education Part B-IDEA	32,740
Early Childhood Education	1,636
High Schools That Work	452
Total Intergovernmental Receivables	\$97,381

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Deductions	Balance at 6/30/13
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$38,512	\$0	\$0	\$38,512
Capital Assets Being Depreciated:				
Land Improvements	563,792	0	0	563,792
Buildings and Improvements	23,746,934	0	0	23,746,934
Furniture, Fixtures and Equipment	2,242,358	1,320	0	2,243,678
Vehicles	432,151	0	0	432,151
Total Capital Assets Being Depreciated	<u>26,985,235</u>	<u>1,320</u>	<u>0</u>	<u>26,986,555</u>
Less Accumulated Depreciation:				
Land Improvements	(73,073)	(28,008)	0	(101,081)
Building and Improvements	(2,343,858)	(436,021)	0	(2,779,879)
Furniture, Fixtures and Equipment	(1,068,545)	(145,453)	0	(1,213,998)
Vehicles	(293,291)	(8,586)	0	(301,877)
Total Accumulated Depreciation	<u>(3,778,767)</u>	<u>(618,068) *</u>	<u>0</u>	<u>(4,396,835)</u>
Total Capital Assets Being Depreciated, Net	<u>23,206,468</u>	<u>(616,748)</u>	<u>0</u>	<u>22,589,720</u>
Governmental Activities Capital Assets, Net	<u>\$23,244,980</u>	<u>(\$616,748)</u>	<u>\$0</u>	<u>\$22,628,232</u>

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 9 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$281,582
Special	27,491
Student Intervention Services	6,265
Support Services:	
Pupils	26,041
Instructional Staff	66,638
Administration	44,579
Fiscal	13,046
Operation and Maintenance of Plant	34,001
Pupil Transportation	46,411
Central	38,425
Operation of Non-Instructional Services:	
Food Service Operations	31,611
Extracurricular Activities	1,978
Total Depreciation Expense	\$618,068

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted with School Insurance Consultants, LLC (SIC) for insurance consulting services. The premium paid to SIC for fiscal year 2013 was \$3,000. The School District also pays to the awarded insurance agency an insurance premium that is based on types of coverage, limits of coverage, and deductibles that it selects. For the fiscal year, the School District contracted with Trident Insurance Agency for liability, property, inland marine, and automobile liability insurance coverage and paid its premium to Governmental Underwriters of America, an agent for Trident Insurance Agency.

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

The School District participates in the Optimal Health Initiatives Consortium (the “Consortium”), a public entity shared risk pool (Note 17), consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District’s behalf.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

For fiscal year 2013, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduce premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applies to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 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, 2013, 2012, and 2011 were \$86,411, \$119,744, and \$105,902, respectively. For fiscal year 2013, 91.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

State Teachers Retirement System of Ohio

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

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

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

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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$326,931, \$334,510, and \$337,555, respectively. For fiscal year 2013, 78.33 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

No contributions were made to STRS Ohio for the DC Plan for fiscal year 2013 by the School District or plan members. Member contributions of \$4,255 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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 (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the 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 2013, 0.16 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 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$14,479 in surcharge.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, 2012, and 2011 were \$15,534, \$20,565, and \$27,411, respectively. For fiscal year 2013, 91.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$4,881, \$7,072, and \$6,815, respectively. For fiscal year 2013, 91.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio 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 2013, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$25,149, \$25,732, and \$25,966, respectively. For fiscal year 2013, 78.33 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

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

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

Insurance Benefits

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

Deferred Compensation

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

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the School District entered into a lease-purchase agreement for the acquisition of school buses. The School District is leasing the buses through the Ohio Association of School Business Officials (OASBO) Expanded Asset Pooled Financing Program. Under this program, participating school districts finance building improvements or asset acquisitions by entering into a lease-purchase agreement in an attempt to achieve debt service and issuance cost savings. Under this program, the School District is leasing the buses from the Columbus Regional Airport Authority, which is an administrator of the program. The Columbus Regional Airport Authority deposited \$204,000 with U.S. Bank National Association, who will serve as the fiscal agent for the monies. The School District utilized the monies held by U.S. Bank National Association for the purchase of the buses.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

In turn, the School District will make semi-annual lease payments to U.S. Bank National Association. Interest rates are based on a calculation of the TBMA index. The lease is renewable annually and expires in fiscal year 2014. The intention of the School District is to renew the lease annually and make payments using school bus reimbursements received from the State of Ohio and General Fund revenues. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds. All funds from the lease-purchase agreement were received and used in prior fiscal years.

The lease-purchase amount equaled \$204,000. Capital assets acquired through the lease were capitalized in the amount of \$201,000 with the remaining \$3,000 being disbursed directly from the Program Discretionary Fund to pay certain expenses of the School District's participation in the Program. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in fiscal year 2013 totaled \$32,000 and were paid from the Debt Service Fund.

The assets acquired through the capital lease as of June 30, 2013, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
School Buses	\$201,000	\$114,591	\$86,409

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2013.

Fiscal Year Ending June 30,	Total Payments
2014	\$33,689
Less: Amount Representing Interest	(689)
Present Value of Net Minimum Lease Payments	\$33,000

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

	Amount Outstanding 6/30/12	Additions	Deductions	Amount Outstanding 6/30/13	Amounts Due in One Year
<u>Governmental Activities:</u>					
2008 School Improvement General					
Obligation Bonds - 3.63% to 5.25%					
Serial Bonds	\$150,000	\$0	\$75,000	\$75,000	\$75,000
Term Bonds	4,800,000	0	0	4,800,000	0
Capital Appreciation Bonds	130,000	0	0	130,000	0
Accretion on Capital Appreciation					
Bonds	132,509	47,997	0	180,506	0
Unamortized Premium	193,995	0	7,918	186,077	0
Total All Bonded Debt	5,406,504	47,997	82,918	5,371,583	75,000
2012 OSFC Hardship Loan	160,024	0	26,671	133,353	53,341
Capital Leases	65,000	0	32,000	33,000	33,000
Compensated Absences	408,930	85,410	150,548	343,792	71,243
Total Governmental Activities					
Long-Term Obligations	<u>\$6,040,458</u>	<u>\$133,407</u>	<u>\$292,137</u>	<u>\$5,881,728</u>	<u>\$232,584</u>

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

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

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

CLAY LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

The capital appreciation bonds, issued at \$130,000, are not subject to prior redemption. The fiscal year 2013 accretion amount was \$47,997. The remaining capital appreciation bonds will mature December 1, 2014, through 2018 as follows:

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

On June 27, 2010, the School District entered into a loan agreement with the Ohio School Facilities Commission for costs associated with the construction of its new facility. The loan was authorized under the Hardship Loan Program. This program allows the Ohio School Facilities Commission to enter into a loan agreement with a school district if the basic costs of a construction project are increased from the original amount. Qualifying expenditures under the program must be the result of additional costs to the school district to correct conditions resulting from the discovery of oversights or deficiencies in the initial assessment or plan and the payment of such expenditures would create an undue hardship on the school district. The School District submitted an assessment to the Ohio School Facilities Commission that indicated that if it provided the full amount of the additional local share of the construction project of the new facilities, there would be a negative impact on the fund balances of the School District in fiscal years 2011 and 2012. The total amount of the loan is \$266,707.

Principal and interest requirements to retire the School District’s outstanding debt at June 30, 2013, are as follows:

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$75,000	\$234,852	\$0	\$0	\$0	\$0
2015	0	0	0	233,352	33,143	66,857
2016	0	0	0	233,352	27,615	72,385
2017	0	0	0	233,352	25,311	84,689
2018	0	0	0	233,352	23,964	101,036
2019-2023	0	0	430,000	1,118,307	19,967	105,033
2024-2028	0	0	745,000	927,568	0	0
2029-2033	0	0	730,000	625,867	0	0
2034-2037	0	0	2,895,000	180,007	0	0
Totals	\$75,000	\$234,852	\$4,800,000	\$3,785,157	\$130,000	\$430,000

The capital lease will be paid from the Debt Service Fund and compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$133,162 with an unvoted debt margin of \$55,207 at June 30, 2013.

NOTE 16 - INTERFUND ACTIVITY

Interfund balances at June 30, 2013, consist of the following individual interfund receivable and payable:

		Receivable
		General
Payable	Nonmajor	
	Governmental Funds	\$288

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

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Transfers made during the fiscal year ended June 30, 2013, were as follows:

		Transfers From		
		General	Nonmajor Governmental Funds	Total
Transfers To	Bond Retirement	\$16,508	\$17,707	\$34,215
	Ohio School Facilities Construction Project	0	463,164	463,164
	Nonmajor Governmental Funds	2,457	0	4,914
	Total	<u>\$18,965</u>	<u>\$480,871</u>	<u>\$499,836</u>

General Fund transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers were made from the General Fund to the Bond Retirement Debt Service Fund and to Nonmajor Governmental Funds for the purpose of making debt payments and funding extracurricular activities. The School District's construction project included grant monies from the Ohio School Facilities Commission and local monies in the Building Fund. Due to miscommunications, construction expenditures over the course of the construction project that should have been paid from the School District's local share in the Building Fund were paid from the Ohio School Facilities Construction Project Fund. After consultation with the Ohio School Facilities Commission, this was corrected by a transfer from the Nonmajor Governmental Funds (Building Fund) to the Ohio School Facilities Construction Project Fund. Transfers were also made from Nonmajor Governmental Funds to the Bond Retirement fund to help the School District pay off the capital lease.

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

Jointly Governed Organizations

South Central Ohio Computer Association Council of Governments (SCOCACoG)

The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCACoG is an association of public Educational Service Centers within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Educational Service Centers. The governing board of SCOCACoG consists of two representatives from each county in the SCOCACoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCACoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

SCOCACoG \$10,752 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of 14 members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for School District administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for School District personnel. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting and designing management. Each School District’s degree of control is limited to its representation on the Board. The School District’s membership fee was \$325 for fiscal year 2013.

Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county outside Franklin County. In particular, the School District participates in an insurance purchasing pool, which is managed by MEC, to obtain lower costs for life insurance coverage for their employees. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each School District’s degree of control is limited to its representation on the Board.

The School District pays premiums to MEC based on the number of employees who participate, the amount of coverage provided, and what MEC estimates will cover the costs to provide that coverage. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

Southern Ohio Academy

The School District is a participant in the Southern Ohio Academy, a jointly governed, non-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy operates under the direction of a nine-member Board of Directors. The Board membership consists of superintendents from Bloom Vernon, Clay, Green, Manchester, Minford, Northwest, Oak Hill, Valley, Washington Nile, and Wheelersburg school districts. Because ORC requires an odd number of members, the Board has determined that Board membership will rotate annually with one school district not being represented each year. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate student learning among

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. The Board exercises total control over the operations of the Academy including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Andrew T. Riehl, fiscal agent for the Southern Ohio Academy, at the South Central Ohio Educational Service Center, 522 Glenwood Avenue, New Boston, Ohio 45662, or by calling 740-354-0234.

Public Entity Shared Risk Pool

Optimal Health Initiatives Consortium

The School District is a member of the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool, consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium's economies of scale to create cost-savings. The Council's business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division's board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 304-E, Cincinnati, Ohio 45242.

Insurance Purchasing Pool

Ohio SchoolComp Workers' Compensation Group Rating Plan

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

NOTE 18 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the 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 identifies the change in the fiscal year-end set-aside amounts capital acquisitions. Disclosure of this information is required by State statute.

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

	Capital Acquisitions
Set-aside Balance as of June 30, 2012	\$0
Current Fiscal Year Set-aside Requirement	105,192
Current Fiscal Year Offsets	(105,192)
Qualifying Disbursements	0
Set-aside Balance as of June 30, 2013	\$0

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

NOTE 19 – SIGNIFICANT COMMITMENTS

Contractual Commitments

The School District contracted for constructing its new Pre-K-12 facility, as well as to demolish the existing instructional buildings. The outstanding construction commitments at June 30, 2013, are:

Contractor	Contract Amount	Amount Expended	Balance At June 30, 2013
Hill International	\$1,263,391	\$1,197,214	\$66,177
Continental Office Environments	120,053	101,079	18,974
Totals	\$1,383,444	\$1,298,293	\$85,151

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$120,980
Ohio School Facilities Construction Project	30,808
Nonmajor Governmental Funds	126,386
Total	\$278,174

CLAY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 20 – CONTINGENCIES

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

Litigation

The School District is not party to any legal proceedings.

NOTE 21– CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."*

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

Clay Local School District
Scioto County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 137,128	\$ 17,585	\$ 137,128	\$ 17,585
School Breakfast Program	3L70	10.553	67,163	-	67,163	-
Total Child Nutrition Cluster			204,291	17,585	204,291	17,585
Total United States Department of Agriculture			204,291	17,585	204,291	17,585
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	177,588	-	176,944	-
Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	910	-	926	-
Total Title I, Part A Cluster			178,498	-	177,870	-
<i>Special Education Cluster (IDEA):</i>						
Special Education - Grants to States	3M20	84.027	147,492	-	143,615	-
Total Special Education Cluster			147,492	-	143,615	-
Improving Teacher Quality State Grants	3Y60	84.367	42,779	-	42,779	-
Education Jobs Fund	3ETO	84.410	29,223	-	29,470	-
Total Passed through Ohio Department of Education			397,992	-	393,734	-
<i>Direct from United States Department of Education</i>						
Rural Education Achievement Program	N/A	84.358A	17,807	-	17,807	-
Total United States Department of Education			415,799	-	411,541	-
Total Federal Financial Assistance			\$ 620,090	\$ 17,585	\$ 615,832	\$ 17,585

N/A Not Available

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

***CLAY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY***

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture.

NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

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



Balestra, Harr & Scherer, CPAs, Inc.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay Local School District, Scioto County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2014, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statements No. 63 and No. 65.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the district's management in a separate letter dated January 1, 2014.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
January 20, 2014



Balestra, Harr & Scherer, CPAs, Inc.

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

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

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

Report on Compliance for the Major Federal Program

We have audited the Clay Local School District's (the District) compliance with the applicable 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 the Clay Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Clay Local School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
January 20, 2014

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

**Schedule of Findings
OMB Circular A-133 Section §.505
For the Year Ended June 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None Noted

3. FINDINGS FOR FEDERAL AWARDS

None Noted

**CLAY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY, OHIO**

**Schedule of Prior Audit Findings
For the Year Ended June 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Material Weakness – Financial Statement Presentation	Yes	



Balestra, Harr & Scherer, CPAs, Inc.

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Independent Auditor's Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on June 14, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

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

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
January 20, 2014



Dave Yost • Auditor of State

CLAY LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 8, 2014**