

Clinton-Massie Local School District



Basic Financial Statements

June 30, 2013



Dave Yost • Auditor of State

Board of Education
Clinton Massie Local School District
2556 Lebanon Road
Clarksville, Ohio 45113

We have reviewed the *Independent Auditors' Report* of the Clinton Massie Local School District, Clinton County, prepared by Plattenburg & Associates, 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 Clinton Massie 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

January 27, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Clinton-Massie Local School District

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 Clinton-Massie Local School District (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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–11 and pages 43–45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2013, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
November 29, 2013

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

The discussion and analysis of Clinton-Massie Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- Net position of governmental activities decreased \$2,225,327 which represents a 6% decrease from 2012.
- General revenues accounted for \$14,206,261 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,380,487 or 19% of total revenues of \$17,586,748 .
- The District had \$19,812,075 in expenses related to governmental activities; \$3,380,487 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,206,261 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2013?" The Government-wide Financial Statements answers this question. These statements include *all assets and liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

These two statements report the District's *net position* and changes in the position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

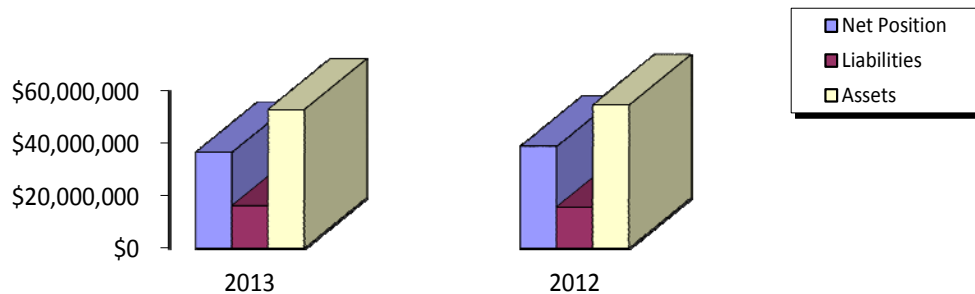
**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2013 compared to 2012:

**Table 1
Net Position**

	Governmental Activities	
	2013	2012
Assets:		
Current and Other Assets	\$10,440,951	\$10,912,653
Capital Assets	42,427,522	43,657,223
Total Assets	52,868,473	54,569,876
Liabilities:		
Other Liabilities	6,454,925	6,389,551
Long-Term Liabilities	9,841,333	9,382,783
Total Liabilities	16,296,258	15,772,334
Net Position:		
Net Investment in Capital Assets	33,524,585	35,172,383
Restricted	1,510,395	1,620,740
Unrestricted	1,537,235	2,004,419
Total Net Position	\$36,572,215	\$38,797,542



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities by \$36,572,215.

At year-end, capital assets represented 80% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2013, was \$33,524,585. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

A portion of the District's net position, \$1,510,395 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital assets decreased due to additions being less than depreciation expense for the fiscal year. Total liabilities increased mainly due to the issuance of new capital leases and energy conservation bonds in 2013.

Table 2 shows the changes in net position for fiscal years 2013 and 2012.

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues:		
Program Revenues		
Charges for Services	\$2,079,321	\$1,881,367
Operating Grants, Contributions	1,301,166	1,843,882
General Revenues:		
Property Taxes	5,022,571	5,073,867
Grants and Entitlements	8,980,701	8,773,316
Other	202,989	272,665
Total Revenues	<u>17,586,748</u>	<u>17,845,097</u>
Program Expenses:		
Instruction	11,694,497	11,600,391
Support Services:		
Pupil and Instructional Staff	1,879,321	2,032,284
School Administrative, General		
Administration, Fiscal and Business	1,508,997	1,579,189
Operations and Maintenance	1,698,379	1,620,761
Pupil Transportation	1,202,532	1,018,790
Central	3,916	87
Operation of Non-Instructional Services	702,930	1,717,582
Extracurricular Activities	746,296	622,984
Interest and Fiscal Charges	375,207	425,332
Total Program Expenses	<u>19,812,075</u>	<u>20,617,400</u>
Change in Net Position	(2,225,327)	(2,772,303)
Net Position - Beginning of Year	<u>38,797,542</u>	<u>41,569,845</u>
Net Position - End of Year	<u>\$36,572,215</u>	<u>\$38,797,542</u>

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

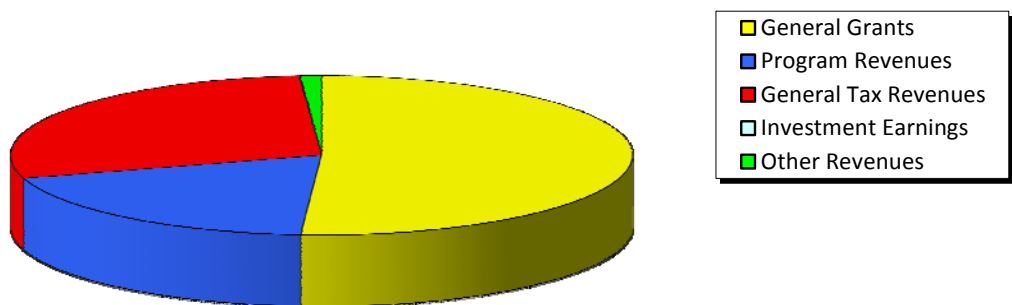
The District revenues are mainly from two sources. Property taxes levied for general, special revenue, and debt service purposes, and grants and entitlements comprised 80% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 29% of revenue for governmental activities for the District in fiscal year 2013.

**Governmental Activities
Revenue Sources**

Revenue Sources	2013	Percent of Total
General Grants	\$8,980,701	51.07%
Program Revenues	3,380,487	19.22%
General Tax Revenues	5,022,571	28.56%
Investment Earnings	7,174	0.04%
Other Revenues	195,815	1.11%
Total Revenue Sources	\$17,586,748	100.00%



Instruction comprises 59.0% of governmental program expenses. Support services expenses were 31.8% of governmental program expenses. All other expenses including interest expense were 9.2%. Interest expense was attributable to the outstanding bonds and borrowing for capital projects.

Total revenues decreased by 1.4% from 2012 to 2013. The decrease was mainly due to a decrease in operating grants received during 2013 (grant monies).

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$11,694,497	\$11,600,391	(\$9,444,613)	(\$9,076,382)
Support Services:				
Pupil and Instructional Staff	1,879,321	2,032,284	(1,748,712)	(1,889,498)
School Administrative, General				
Administration, Fiscal and Business	1,508,997	1,579,189	(1,508,182)	(1,576,975)
Operations and Maintenance	1,698,379	1,620,761	(1,632,799)	(1,524,178)
Pupil Transportation	1,202,532	1,018,790	(1,187,376)	(997,966)
Central	3,916	87	(3,916)	(87)
Operation of Non-Instructional Services	702,930	1,717,582	(55,934)	(996,257)
Extracurricular Activities	746,296	622,984	(474,849)	(405,476)
Interest and Fiscal Charges	375,207	425,332	(375,207)	(425,332)
Total Expenses	<u>\$19,812,075</u>	<u>\$20,617,400</u>	<u>(\$16,431,588)</u>	<u>(\$16,892,151)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the general fund comprised \$8,167,382 (79%) and assets of the debt service fund comprised \$1,630,836 (16%) of the total \$10,296,396 governmental funds' assets.

General Fund: Fund balance at June 30, 2013 was \$2,174,119, a decrease in fund balance of \$215,461 from 2012.

Debt Service Fund: Fund balance at June 30, 2013 was \$1,106,192, a decrease in fund balance of \$61,279 from 2012.

General Fund Budgeting Highlights

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

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

During the course of fiscal 2013, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$15,217,965, compared to original budget estimates of \$14,067,376. Of the \$1,150,589 difference, most was due to an under estimate for taxes and intergovernmental revenue.

The District's general fund ending unobligated cash balance was \$3,110,582 at fiscal year end.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2013, the District had \$42,427,522 invested in land, land improvements, buildings and improvements, equipment and vehicles. Table 4 shows fiscal 2013 balances compared to fiscal 2012:

**Table 4
Capital Assets at Year End
(Net of Depreciation)**

	Governmental Activities	
	2013	2012
Land	\$462,953	\$462,953
Construction in Progress	0	42,690
Land Improvements	1,425,719	1,479,356
Buildings and Improvements	39,136,419	40,387,831
Equipment	1,013,276	891,655
Vehicles	389,155	392,738
Total Net Capital Assets	<u>\$42,427,522</u>	<u>\$43,657,223</u>

The decrease in capital assets is due to additions being less than depreciation expense for the fiscal year.

See Note 7 to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2013, the District had \$8,994,431 in bonds and capital leases outstanding, \$744,106 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2013	2012
Bonds Payable:		
2001 High School	\$0	\$262,502
2009 Qualified School Construction	390,000	420,000
2011 Current Interest Bonds	6,590,000	6,715,000
2011 Capital Appreciation Bonds	274,995	274,995
2011 Accretion of Interest	91,494	40,697
2011 Refunding - Premium	450,903	479,084
2011 Refunding - Deferred Amount	(306,346)	(325,493)
2013 HB264 #1	750,000	0
2013 HB264 Premium	29,013	0
Capital Lease Payable:		
Capital Lease	724,372	658,752
	<u>\$8,994,431</u>	<u>\$8,525,537</u>

See Notes 8-9 to the basic financial statements for further details on the District's long-term liabilities.

For the Future

The District is on reasonably solid financial ground for the next fiscal year, but is beginning to experience a decline in operating reserves. At the end of fiscal year 2012, the District had a little over 2.5 months of unencumbered operating reserves. This financial health has been a consistent strength over the past decade; as Clinton-Massie has not had an operating levy on the ballot in over 20 years, which is very unusual given the current school funding climate in Ohio. With slow growth enrollment in recent years, the Board decided to implement Open Enrollment in fiscal year 2010 and had an overwhelming number of applicants. The district accepted 80 Open Enrollment students in fiscal year 2010, 120 Open Enrollment students in fiscal year 2011 and 155 Open Enrollment students in fiscal year 2012 which really helped prop up the declining revenue stream and will continue to remain steady going into fiscal year 2013. Another revenue stream that began in fiscal year 2011 was personal property taxes from the completion of the Rockies Express Pipeline. The District received half a year of tax collections in fiscal year 2011 and received a full year of tax collections in fiscal year 2012.

Due to heavy funding by the state, the District is highly susceptible to any and all changes made to the school funding formula. Overall state funding, including stimulus money, declined in fiscal years 2010, 2011 and 2012 and will decline further in fiscal year 2013 when the last of the stimulus money is gone. This apparent trend in decreased support from the state has and will continue to present challenges. Operational expenditures continue to increase at a higher rate than increases in state and local revenues. As increases in expenditures outpace revenues in future years, costs and programs must be reduced or new sources of revenues must be found. The District is currently weighing alternatives, and making various cost-conscious changes, where possible, before going to the voters to ask for more local tax dollars. However, without major reform to the state funding system, a tax levy will be needed in the near future.

**Clinton-Massie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

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

Academically, the District was rated as "Excellent with Distinction" by ODE for the 2009-2010 and the 2010-2011 school years. Administration will continue to work diligently to retain this rating. The District strives to make good use of the financial resources it has been entrusted with and will continue to pursue excellence in every area.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to, Clinton-Massie Local School District, Tracy Parker, Treasurer, 2556 Lebanon Road, Clarksville, Ohio 45113.

Clinton-Massie Local School District, Ohio
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$4,694,876
Receivables:	
Taxes	5,458,590
Accounts	58,778
Intergovernmental	70,934
Deferred Bond Issuance Costs	144,555
Inventory	13,218
Nondepreciable Capital Assets	462,953
Depreciable Capital Assets, Net	<u>41,964,569</u>
 Total Assets	 <u>52,868,473</u>
Liabilities:	
Accounts Payable	181,876
Accrued Wages and Benefits	1,325,919
Accrued Interest Payable	22,964
Unearned Revenue	4,924,166
Long-Term Liabilities:	
Due Within One Year	857,245
Due In More Than One Year	<u>8,984,088</u>
 Total Liabilities	 <u>16,296,258</u>
Net Position:	
Net Investment in Capital Assets	33,524,585
Restricted for:	
Debt Service	1,256,482
Federal Grants	2,571
Classroom Facilities Maintenance	171,335
District Managed Student Activities	76,673
Other Grants	3,334
Unrestricted	<u>1,537,235</u>
 Total Net Position	 <u><u>\$36,572,215</u></u>

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
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 and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$9,405,186	\$1,186,106	\$62,134	(\$8,156,946)
Special	1,094,638	210,039	572,736	(311,863)
Vocational	0	0	1,857	1,857
Other	1,194,673	0	217,012	(977,661)
Support Services:				
Pupil	895,414	0	4,000	(891,414)
Instructional Staff	983,907	0	126,609	(857,298)
General Administration	28,674	0	0	(28,674)
School Administration	1,082,536	0	0	(1,082,536)
Fiscal	397,787	172	643	(396,972)
Operations and Maintenance	1,698,379	20,455	45,125	(1,632,799)
Pupil Transportation	1,202,532	0	15,156	(1,187,376)
Central	3,916	0	0	(3,916)
Operation of Non-Instructional Services	702,930	391,102	255,894	(55,934)
Extracurricular Activities	746,296	271,447	0	(474,849)
Interest and Fiscal Charges	375,207	0	0	(375,207)
Total Governmental Activities	\$19,812,075	\$2,079,321	\$1,301,166	(16,431,588)

General Revenues:	
Property Taxes Levied for:	
General Purposes	4,442,012
Special Revenue Purposes	84,800
Debt Service Purposes	495,759
Grants and Entitlements not Restricted	8,980,701
Revenue in Lieu of Taxes	13,234
Unrestricted Contributions	14,064
Investment Earnings	7,174
Other Revenues	168,517
Total General Revenues	14,206,261
Change in Net Position	(2,225,327)
Net Position - Beginning of Year	38,797,542
Net Position - End of Year	\$36,572,215

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$3,294,676	\$1,082,729	\$317,471	\$4,694,876
Receivables:				
Taxes	4,818,580	548,107	91,903	5,458,590
Accounts	54,126	0	4,652	58,778
Intergovernmental	0	0	70,934	70,934
Inventory	0	0	13,218	13,218
Total Assets	8,167,382	1,630,836	498,178	10,296,396
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	162,761	0	19,115	181,876
Accrued Wages and Benefits	1,202,527	0	123,392	1,325,919
Compensated Absences	34,685	0	0	34,685
Deferred Revenue	4,593,290	524,644	96,198	5,214,132
Total Liabilities	5,993,263	524,644	238,705	6,756,612
Fund Balances:				
Nonspendable	0	0	13,218	13,218
Restricted	0	1,106,192	249,091	1,355,283
Assigned	799,590	0	35,311	834,901
Unassigned	1,374,529	0	(38,147)	1,336,382
Total Fund Balances	2,174,119	1,106,192	259,473	3,539,784
Total Liabilities and Fund Balances	\$8,167,382	\$1,630,836	\$498,178	\$10,296,396

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2013

Total Governmental Fund Balance		\$3,539,784
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.		42,427,522
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	281,368	
Intergovernmental	<u>8,598</u>	
		289,966
In the statement of net position interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(22,964)
Some liabilities reported in the statement of net position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(812,217)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		144,555
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(8,994,431)</u>
Net Position of Governmental Activities		<u><u>\$36,572,215</u></u>

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$4,510,952	\$508,210	\$86,021	\$5,105,183
Revenue in lieu of taxes	13,234	0	0	13,234
Tuition and Fees	1,396,145	0	0	1,396,145
Investment Earnings	7,174	0	0	7,174
Intergovernmental	9,345,751	73,328	880,022	10,299,101
Extracurricular Activities	56,480	0	190,086	246,566
Charges for Services	19,543	0	417,067	436,610
Other Revenues	124,993	0	43,524	168,517
Total Revenues	15,474,272	581,538	1,616,720	17,672,530
Expenditures:				
Current:				
Instruction:				
Regular	7,589,093	0	62,996	7,652,089
Special	896,566	0	182,439	1,079,005
Other	984,550	0	202,763	1,187,313
Support Services:				
Pupil	884,299	0	7,494	891,793
Instructional Staff	844,882	0	125,408	970,290
General Administration	28,674	0	0	28,674
School Administration	1,070,230	0	0	1,070,230
Fiscal	373,585	10,092	1,980	385,657
Operations and Maintenance	1,462,638	0	155,237	1,617,875
Pupil Transportation	1,005,396	0	21,112	1,026,508
Central	3,916	0	0	3,916
Operation of Non-Instructional Services	1,383	0	680,227	681,610
Extracurricular Activities	410,297	0	236,374	646,671
Capital Outlay	785,391	0	181,384	966,775
Debt Service:				
Principal Retirement	280,114	387,502	0	667,616
Interest and Fiscal Charges	82,608	245,223	0	327,831
Total Expenditures	16,703,622	642,817	1,857,414	19,203,853
Excess of Revenues Over (Under) Expenditures	(1,229,350)	(61,279)	(240,694)	(1,531,323)
Other Financing Sources (Uses):				
Proceeds of Capital Leases	269,170	0	0	269,170
Proceeds from Sale of Capital Assets	1,200	0	0	1,200
Issuance of Long-Term Capital-Related Debt	796,564	0	0	796,564
Bond Premium	31,085	0	0	31,085
Transfers In	439	0	84,569	85,008
Transfers (Out)	(84,569)	0	(439)	(85,008)
Total Other Financing Sources (Uses)	1,013,889	0	84,130	1,098,019
Net Change in Fund Balance	(215,461)	(61,279)	(156,564)	(433,304)
Fund Balance - Beginning of Year	2,389,580	1,167,471	416,037	3,973,088
Fund Balance - End of Year	\$2,174,119	\$1,106,192	\$259,473	\$3,539,784

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balance - Total Governmental Funds (\$433,304)

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	581,778	
Depreciation Expense	<u>(1,764,188)</u>	
		(1,182,410)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.

(47,291)

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

Delinquent Property Taxes	(82,612)	
Intergovernmental	<u>(3,170)</u>	
		(85,782)

In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.

Premium on Bonds Issued		(31,085)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

667,616

Interest expense in the statement of activities differs from the amount reported in governmental funds for two reasons. Additional accrued interest was calculated for bonds and notes payable, and the difference arising from the advance refunding due to premium and bond issuance costs.

Accrued Interest		1,350
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Some expenses 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.

Compensated Absences	39	
Amortization of Bond Issuance Cost	(9,035)	
Amortization of Bond Premium	30,253	
Amortization of Deferred Charge on Refunding	(19,147)	
Bond Accretion	<u>(50,797)</u>	
Compensated Absences		(48,687)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.

(1,065,734)

Change in Net Position of Governmental Activities (\$2,225,327)

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$71,735</u>	<u>\$20,970</u>
Total Assets	<u>71,735</u>	<u>\$20,970</u>
Liabilities:		
Accounts Payable	0	736
Other Liabilities	<u>0</u>	<u>20,234</u>
Total Liabilities	<u>0</u>	<u>\$20,970</u>
Net Position:		
Held in Trust	<u>71,735</u>	
Total Net Position	<u>\$71,735</u>	

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
Additions:	
Donations	\$2,859
Investment Earnings	522
Total Additions	<u>3,381</u>
Deductions:	
Other	<u>2,678</u>
Total Deductions	<u>2,678</u>
Change in Net Position	703
Net Position - Beginning of Year	<u>71,032</u>
Net Position - End of Year	<u><u>\$71,735</u></u>

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Note 1 - Description of the School District

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by State and/or federal agencies. This Board controls the District's two instructional facilities (High/Middle School and Elementary School) and one support facility (bus garage) staffed by 82 non-certified and 114 certified teaching personnel and 11 administrative employees to provide service to 1,947 students and other community members.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

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

Jointly Governed Organizations

Southwest Ohio Computer Association (SWOCA)

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

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

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

Insurance Purchasing Pool

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

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

Fund Accounting

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

Governmental Funds

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

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

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

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

Proprietary Fund

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

Fiduciary Funds

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

Basis of Presentation and Measurement Focus

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

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

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all no major funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

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

Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5).

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

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

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

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2013, are recorded as deferred revenue.

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

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

Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts of the budgetary statement reflect the amounts on the final certificate of estimated resources issued during the fiscal year 2013.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2013.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Cash and Investments

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

During fiscal year 2013, investments were limited to sweep accounts backed by federal agency securities as well as federally insured certificates of deposits.

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

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the building capital projects fund. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$7,174.

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

Inventory

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

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

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains its capitalization threshold at \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Depreciation is computed using the straight-line method over the following useful lives:

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

Compensated Absences

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

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

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

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

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

<u>VACATION</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certified</u>
How earned	Not eligible	20 days at start of each contract year	10-20 days depending on length of service
Maximum accumulation	Not applicable	2 years	1 year
Vested	Not applicable	As earned	As earned
Termination entitlement	Not applicable	Unused balance upon termination	Unused balance upon termination
<u>SICK LEAVE</u>			
How earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)
Maximum accumulation	Unlimited	Unlimited	Unlimited
Vested	As earned	As earned	As earned
Termination entitlement	Per contract	Per policy	Per policy

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

 Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

 Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts, which had been restricted, committed or assigned for said purposes.

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be uses.

Net Position

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District’s \$1,510,395 in restricted net position, none were restricted by enabling legislation.

Estimates

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

Interfund Activity

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Note 3 – Accountability

Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Special Education	\$14,331
Title I	2,931
Improving Teacher Quality	3,235
Food Service	4,432

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

Note 4 - Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances, which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2013, \$1,596,314 of the District's bank balance of \$1,848,314 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Investments

As of June 30, 2013, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Sweep Accounts	\$3,015,274	0.00

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments, which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District’s investments in Sweep Accounts were not rated.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District’s total investments, 100% is invested in Sweep Accounts.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District. The District’s investment policy does not address this risk for investments.

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2010, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Tangible personal property tax revenues received in calendar year 2013 (other than public utility property) represent the collection of calendar year 2013 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2013 were levied after October 1, 2012, on the value as of December 31, 2012. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Clinton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2013 was \$225,290 in the general fund, \$23,463 in the debt service fund and \$4,303 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$214,903,720	91.91%	\$216,510,620	91.08%
Public utility personal	18,910,248	8.09%	21,210,079	8.92%
Total	<u>\$233,813,968</u>	<u>100.00%</u>	<u>\$237,720,699</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$31.25		\$31.25	

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Note 6 – Receivables

Receivables at June 30, 2013 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of receivables reported on the statement of net position follows:

Governmental activities:

Taxes	\$5,458,590
Accounts	58,778
Intergovernmental	<u>70,934</u>
Total	<u><u>\$5,588,302</u></u>

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

Note 7 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$462,953	\$0	\$0	\$462,953
Construction in Progress	42,690	0	42,690	0
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,496,949	69,965	0	2,566,914
Buildings and Improvements	51,368,910	164,060	0	51,532,970
Equipment	2,043,969	286,784	67,544	2,263,209
Vehicles	<u>1,493,623</u>	<u>103,659</u>	<u>53,980</u>	<u>1,543,302</u>
Totals at Historical Cost	<u><u>57,909,094</u></u>	<u><u>624,468</u></u>	<u><u>164,214</u></u>	<u><u>58,369,348</u></u>
Less Accumulated Depreciation:				
Land Improvements	1,017,593	123,602	0	1,141,195
Buildings and Improvements	10,981,079	1,415,472	0	12,396,551
Equipment	1,152,314	117,872	20,253	1,249,933
Vehicles	<u>1,100,885</u>	<u>107,242</u>	<u>53,980</u>	<u>1,154,147</u>
Total Accumulated Depreciation	<u><u>14,251,871</u></u>	<u><u>1,764,188</u></u>	<u><u>74,233</u></u>	<u><u>15,941,826</u></u>
Governmental Activities Capital Assets, Net	<u><u>\$43,657,223</u></u>	<u><u>(\$1,139,720)</u></u>	<u><u>\$89,981</u></u>	<u><u>\$42,427,522</u></u>

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,533,305
Special	2,082
Support Services:	
Instructional Staff	10,117
School Administration	10,900
Fiscal	10,308
Operations and Maintenance	15,127
Pupil Transportation	110,422
Operation of Non-Instructional Services	17,963
Extracurricular Activities	53,964
Total Depreciation Expense	<u><u>\$1,764,188</u></u>

Note 8 - Capitalized Leases - Lessee Disclosure

During the fiscal year, the District entered into capitalized leases for computers and equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as regular function expenditures on the budgetary statements.

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

<u>Fiscal Year Ending June 30,</u>	
2014	\$290,105
2015	286,970
2016	137,030
2017	<u>71,976</u>
Total minimum lease payments	786,081
Less amount representing interest	<u>(61,709)</u>
Total	<u><u>\$724,372</u></u>

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Note 9 - Long-Term Obligations

During the fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2012	Additions	Reductions	Balance Outstanding June 30, 2013	Amounts Due in One Year
General obligation bonds:					
2001 High School	\$262,502	\$0	(\$262,502)	\$0	\$0
2009 Qualified School Construction Bonds	420,000	0	(30,000)	390,000	30,000
2011 Current Interest Bonds	6,715,000	0	(125,000)	6,590,000	405,000
2011 Capital Appreciation Bonds	274,995	0	0	274,995	0
2011 Accretion of Interest	40,697	50,797	0	91,494	0
2011 Refunding - Premium	479,084	0	(28,181)	450,903	0
2011 Refunding - Deferred Amount	(325,493)	19,147	0	(306,346)	0
2013 HB264 #1	0	796,564	(46,564)	750,000	45,000
2013 HB264 Premium	0	31,085	(2,072)	29,013	0
Subtotal	7,866,785	897,593	(494,319)	8,270,059	480,000
Capital lease	658,752	269,170	(203,550)	724,372	264,106
Compensated absences	857,246	124,264	(134,608)	846,902	113,139
Total governmental activities	\$9,382,783	\$1,291,027	(\$832,477)	\$9,841,333	\$857,245

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

Capital Lease Obligations: Capital lease obligations are paid from the general fund (See Note 8).

2013 HB264 Bonds: The District issued \$796,564 in energy conservations bonds on August 8, 2012 for energy conservation throughout the district. The interest rate on these bonds ranges from 2.00% to 4.00% and will mature on June 1, 2027. Principal and interest are paid from the debt service fund.

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

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

2011 Refunding Bonds: In June 2011, the District advance refunded \$7,064,995 in school improvement bonds that were originally for the purpose of new construction, improvements, renovations, and additions to school facilities, including the construction of a new high school, and providing equipment, furnishings and site improvements. The \$507,265 premium on the issuance of these refunding bonds will be amortized over the remaining life of the debt, which has a final maturity date of December 1, 2028. The debt will be retired from the debt service fund.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

The refunding bonds are not subject to optional redemption prior to maturity. Of the \$7,064,995 issued, \$6,790,000 represents current interest bonds and \$274,995 are capital appreciation bonds. The current interest bonds mature at varying amounts through December 1, 2028. The capital appreciation bonds will mature in fiscal years 2019 and 2020.

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$480,000	\$253,061	\$733,061	\$0	\$0	\$0
2015	485,000	243,459	728,459	0	0	0
2016	495,000	233,704	728,704	0	0	0
2017	510,000	223,210	733,210	0	0	0
2018	515,000	211,381	726,381	0	0	0
2019-2023	1,840,000	552,349	2,392,349	274,995	982,456	1,257,451
2024-2028	3,050,000	386,854	3,436,854	0	0	0
2029	355,000	7,544	362,544	0	0	0
Total	<u>\$7,730,000</u>	<u>\$2,111,562</u>	<u>\$9,841,562</u>	<u>\$274,995</u>	<u>\$982,456</u>	<u>\$1,257,451</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

Note 10 - Risk Management

Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2013, the district contracted with Arthur J Gallagher & Co., through the Southwestern Ohio Educational Purchasing Council for property, general liability and auto insurance.

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

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

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

Since January 1, 2008, the District health insurance has been a High Deductible Health Plan, coupled with a partially employer-funded Health Savings Account (HSA) through January 1, 2012 last ER HAS contribution. The health insurance provider was Humana from January 1, 2008 through December 31, 2010 and changed to Anthem effective January 1, 2012 (the last ER HSA contribution that was made). Employee dental benefits were provided throughout the year by Delta Dental, and were also purchased through the EPC.

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

Note 11 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (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 state statute per 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 on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$331,464, \$306,792, and \$335,400, respectively; contributions equaled the required contributions for each year.

State Teachers Retirement System of Ohio

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2013, 2012, and 2011 were \$1,024,344, \$999,720, and \$961,152, respectively; 84% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Note 12- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74%. District contributions for the years ended June 30, 2013, 2012 and 2011 were \$17,520, \$16,654, and \$18,207, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2013, the health care allocation was 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$3,788, \$31,337, and \$34,259, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2013, 2012 and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$73,167, \$71,409, and \$68,654, 84% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Note 14 – 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. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

Litigation

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

Note 15 - Statutory Reserves

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

During the fiscal year ended June 30, 2013, the reserve activity was as follows:

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2012	\$0
Current Year Set Aside Requirements	317,406
Qualified Disbursements	(203,915)
Current Year Offsets	(262,502) *
Set Aside Reserve Balance as of June 30, 2013	(\$149,011)
Restricted Cash as of June 30, 2013	\$0

* - Current year principal payment on 2001 high school bond and proceeds from tax levy authorized by Ohio Revised Code section 3318.06.

Clinton-Massie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2013

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

Note 16 – Fund Balances

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Inventory	\$0	\$0	\$13,218	\$13,218
Total Nonspendable	0	0	13,218	13,218
Restricted for:				
Other Grants	0	0	3,334	3,334
Classroom Facilities Maintenance	0	0	166,513	166,513
Student Activity	0	0	76,673	76,673
Vocational Education	0	0	2,156	2,156
Idea Preschool Grant	0	0	415	415
Debt Service	0	1,106,192	0	1,106,192
Total Restricted	0	1,106,192	249,091	1,355,283
Assigned to:				
Permanent Improvement	0	0	35,311	35,311
Budgetary Resource	565,443	0	0	565,443
Public School	28,751	0	0	28,751
Encumbrances	205,396	0	0	205,396
Total Assigned	799,590	0	35,311	834,901
Unassigned (Deficit)	1,374,529	0	(38,147)	1,336,382
Total Fund Balance	\$2,174,119	1,106,192	\$259,473	\$3,539,784

Note 17 – Change in Accounting Principles

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants' (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature. GASB Statement No. 63 provides financial reporting guidance for deferred outflows and inflows of resources and net position.

REQUIRED SUPPLEMENTARY INFORMATION

Clinton Massie Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$4,185,515	\$4,527,854	\$4,602,767	\$74,913
Revenue in lieu of taxes	12,034	13,019	13,234	215
Tuition and Fees	1,270,128	1,374,013	1,396,746	22,733
Investment Earnings	6,237	6,747	6,859	112
Intergovernmental	8,498,537	9,193,643	9,345,751	152,108
Charges for Services	16,368	17,707	18,000	293
Other Revenues	78,557	84,982	86,388	1,406
Total Revenues	14,067,376	15,217,965	15,469,745	251,780
Expenditures:				
Current:				
Instruction:				
Regular	7,082,660	7,372,679	7,490,889	(118,210)
Special	829,294	863,252	877,093	(13,841)
Vocational	25,379	26,418	26,842	(424)
Other	906,406	943,521	958,649	(15,128)
Support Services:				
Pupil	835,639	869,856	883,803	(13,947)
Instructional Staff	810,415	843,600	857,126	(13,526)
General Administration	30,015	31,244	31,745	(501)
School Administration	1,022,030	1,063,880	1,080,938	(17,058)
Fiscal	356,848	371,460	377,416	(5,956)
Operations and Maintenance	1,433,713	1,492,420	1,516,349	(23,929)
Pupil Transportation	963,748	1,003,211	1,019,296	(16,085)
Central	3,714	3,866	3,928	(62)
Extracurricular Activities	389,667	405,623	412,127	(6,504)
Operation of Non-Instructional Services	1,311	1,365	1,387	(22)
Capital Outlay	742,590	772,997	785,391	(12,394)
Debt Service:				
Principal Retirement	280,114	280,114	280,114	0
Interest and Fiscal Charges	82,608	82,608	82,608	0
Total Expenditures	15,796,151	16,428,114	16,685,701	(257,587)
Excess of Revenues Over (Under) Expenditures	(1,728,775)	(1,210,149)	(1,215,956)	(5,807)
Other financing sources (uses):				
Proceeds of Capital Leases	244,769	264,789	269,170	4,381
Proceeds from Sale of Capital Assets	1,091	1,180	1,200	20
Proceeds of Long-Term Capital-Related Debt	724,354	783,599	796,564	12,965
Transfers In	1,376	1,488	1,513	25
Transfers (Out)	(47,275)	(49,211)	(50,000)	(789)
Total Other Financing Sources (Uses)	924,315	1,001,845	1,018,447	16,602
Net Change in Fund Balance	(804,460)	(208,304)	(197,509)	10,795
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	3,308,091	3,308,091	3,308,091	0
Fund Balance - End of Year	\$2,503,631	\$3,099,787	\$3,110,582	\$10,795

See accompanying notes to the required supplementary information.

Clinton-Massie Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2013

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2013.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) 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 as follows:

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 for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

Clinton-Massie Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2013

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$215,461)
Revenue Accruals	(2,863)
Expenditure Accruals	262,472
Issuance of Notes	(31,085)
Transfers In	1,074
Transfers (Out)	34,569
Encumbrances	(248,058)
Funds Budgeted Elsewhere	<u>1,843</u>
Budget Basis	<u><u>(\$197,509)</u></u>

Clinton-Massie Local School District



Single Audit Reports

June 30, 2013

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$43,299	\$0	\$207,676	\$0
National School Lunch Program	3L60	10.555	207,676	24,739	43,299	24,739
Total Nutrition Cluster			250,975	24,739	250,975	24,739
Total U.S. Department of Agriculture			250,975	24,739	250,975	24,739
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	302,747	0	302,637	0
Special Education-Preschool Grants	3C50	84.173	3,301	0	3,301	0
Total Special Education Cluster			306,048	0	305,938	0
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	201,107	0	202,356	0
Total Title I Cluster			201,107	0	202,356	0
Career & Technical Education Basic Grants to States	N/A	84.048	4,000	0	4,657	0
Improving Teacher Quality	3Y60	84.367	57,038	0	57,038	0
Education Jobs	3ET0	84.410	58,115	0	58,115	0
Total Department of Education			626,308	0	628,104	0
Total Federal Assistance			\$877,283	\$24,739	\$879,079	\$24,739

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Clinton-Massie Local School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton-Massie Local School District (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 November 29, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

November 29, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education
Clinton-Massie Local School District

Report on Compliance for Each Major Federal Program

We have audited the Clinton-Massie Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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. We issued our report thereon dated November 29, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.
Plattenburg & Associates, Inc.
Cincinnati, Ohio
November 29, 2013

**CLINTON-MASSIE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Section I – Summary of Auditor’s Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any material reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were the any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list): Nutrition Cluster: School Breakfast Program -CFDA# 10.553 National School Lunch Program -CFDA# 10.555 Special Education Cluster: Special Education-Grants to States -CFDA# 84.027 Special Education-Preschool Grants -CFDA# 84.173	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

CLINTON-MASSIE LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133
June 30, 2013

The Clinton-Massie Local School District had no prior audit findings or questioned costs.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURE**

To the Board of Education
Clinton-Massie Local School District

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

1. We noted the Board amended its anti-harassment policy on August 20, 2012 to include 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 and is not intended to be and should not be used by anyone other than these specified parties.

Plattenburg & Associates, Inc.
Plattenburg & Associates, Inc.
Cincinnati, Ohio
November 29, 2013

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Dave Yost • Auditor of State

CLINTON- MASSIE LOCAL SCHOOL DISTRICT

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 6, 2014**