

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

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

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015*

**TRACY PARKER, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Clinton-Massie Local School District, Clinton County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 29, 2016

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

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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

## Independent Auditor's Report

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

To the Board of Education:

### ***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, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Clinton-Massie Local School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton-Massie Local School District, Clinton County, Ohio, as of June 30, 2015, and the respective changes in financial position for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Notes 16 and 17 to the financial statements, during the fiscal year ended June 30, 2015, the Clinton-Massie Local School District adopted the provisions of Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* on pages 3 - 13, *Schedules of the district's proportionate share of the net pension liability – State Teachers Retirement System of Ohio and School Employees Retirement System of Ohio* and, *Schedules of district contributions - State Teachers Retirement System of Ohio and School Employees Retirement System of Ohio* and on pages 51 - 55, *Required Budgetary Comparison Information* on pages 56 - 58, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Supplementary Information***

Our audit was conducted to opine on the Clinton-Massie Local School District's basic financial statements taken as a whole.

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

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015, on our consideration of the Clinton-Massie Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clinton-Massie Local School District's internal control over financial reporting and compliance.





**Clinton-Massie Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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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, 2015. 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 2015 are as follows:

- Net position of governmental activities decreased \$749,021 which represents a 6% decrease from 2014.
- General revenues accounted for \$14,702,922 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,151,473 or 18% of total revenues of \$17,854,395.
- The District had \$18,603,416 in expenses related to governmental activities; \$3,151,473 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,702,922 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 2015?" 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, 2015  
(Unaudited)**

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These two statements report the District's *net position* and changes in net 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 funds are 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.

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**Clinton-Massie Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
(Unaudited)

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**The District as a Whole**

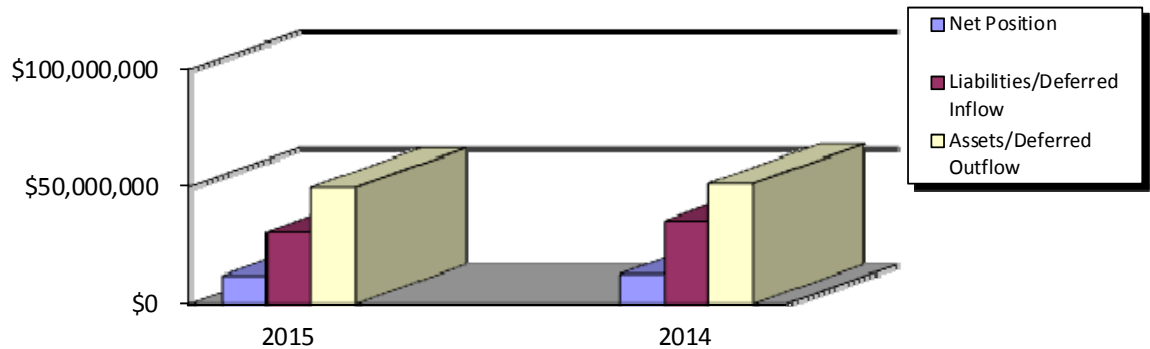
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

**Table 1**  
**Net Position**

	Governmental Activities	
	2015	2014 Restated
Assets:		
Current and Other Assets	\$9,655,376	\$9,802,795
Capital Assets	40,086,618	41,627,208
Total Assets	49,741,994	51,430,003
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	268,052	287,199
	1,495,023	1,271,536
Total Deferred Outflows of Resources	1,763,075	1,558,735
Liabilities:		
Other Liabilities	1,492,077	1,596,988
Long-Term Liabilities	29,238,635	33,837,940
Total Liabilities	30,730,712	35,434,928
Deferred Inflows of Resources:		
Property Taxes	5,179,527	4,888,535
Pension	3,678,576	0
Total Deferred Inflows of Resources	8,858,103	4,888,535
Net Position:		
Net Investment in Capital Assets	32,296,721	33,194,646
Restricted	1,210,629	1,245,102
Unrestricted	(21,591,096)	(21,774,473)
Total Net Position	\$11,916,254	\$12,665,275

**Clinton-Massie Local School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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During 2015, the District adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio’s statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District’s proportionate share of each plan’s collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees’ past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*.

**Clinton-Massie Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
**(Unaudited)**

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State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$35,488,098 to \$12,665,275.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,916,254.

At year-end, capital assets represented 81% 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, 2015, were \$32,296,721. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,210,629 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. Long-term liabilities decreased mainly due to the District continuing to make principal payments on its long-term debt obligations.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

**Clinton-Massie Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
(Unaudited)

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2015	2014
Revenues:		
Program Revenues		
Charges for Services	\$1,786,563	\$2,001,621
Operating Grants, Contributions	1,364,910	1,428,162
General Revenues:		
Property Taxes	5,349,691	5,143,787
Grants and Entitlements	9,109,758	9,005,252
Investment Earnings	10,219	15,482
Other	233,254	259,679
Total Revenues	<u>17,854,395</u>	<u>17,853,983</u>
Program Expenses:		
Instruction	11,662,781	11,480,165
Support Services:		
Pupil and Instructional Staff	1,211,473	1,325,845
School Administrative, General		
Administration, Fiscal and Business	1,488,922	1,522,619
Operations and Maintenance	1,521,647	1,639,566
Pupil Transportation	1,128,682	1,068,550
Operation of Non-Instructional Services	606,228	769,200
Extracurricular Activities	661,820	628,355
Interest and Fiscal Charges	321,863	359,245
Total Program Expenses	<u>18,603,416</u>	<u>18,793,545</u>
Change in Net Position	(749,021)	(939,562)
Net Position - Beginning of Year, Restated	<u>12,665,275</u>	<u>N/A</u>
Net Position - End of Year	<u>\$11,916,254</u>	<u>\$12,665,275</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$1,271,536 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$983,501. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

**Clinton-Massie Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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Total 2015 program expenses under GASB 68	\$18,603,416
Program expenses under GASB 68	(983,501)
2015 contractually required contributions	<u>1,271,536</u>
Adjusted 2015 program expenses	18,891,451
Total 2014 program expenses under GASB 27	18,793,545
Increase in program expenses not related to pension	<u>\$97,906</u>

The District revenues are mainly from two sources. Property taxes levied for general, special revenue, and debt service purposes, and grants and entitlements comprised 81% of the District's revenues for governmental activities.

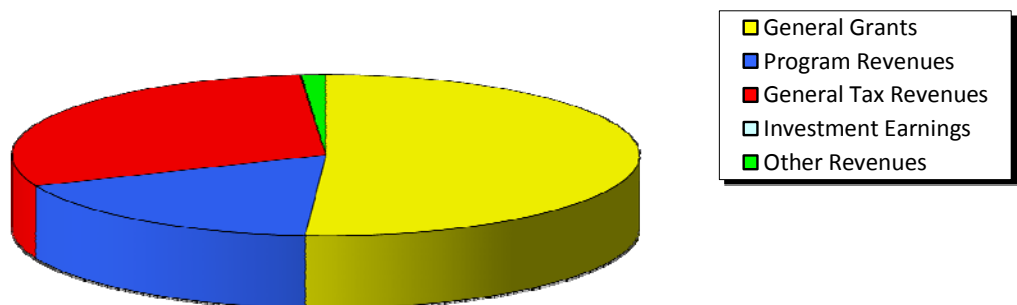
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner 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 30% of revenue for governmental activities for the District in fiscal year 2015.

**Governmental Activities  
Revenue Sources**

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Revenue Sources	2015	Percent of Total
General Grants	\$9,109,758	51.05%
Program Revenues	3,151,473	17.66%
General Tax Revenues	5,349,691	29.98%
Investment Earnings	10,219	0.06%
Other Revenues	223,254	1.25%
Total Revenue Sources	<u>\$17,844,395</u>	<u>100.00%</u>



**Clinton-Massie Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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Instruction comprises 62.7% of governmental program expenses. Support services expenses were 28.8% of governmental program expenses. All other expenses including interest expense were 8.5%. Interest expense was attributable to the outstanding bonds and borrowing for capital projects.

Total revenues increased by 1% from 2014 to 2015. The increase was mainly due to a slight increase in general grants and general tax revenues.

**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	
	2015	2014	2015	2014
Instruction	\$11,662,781	\$11,480,165	(\$9,409,087)	(\$9,013,376)
Support Services:				
Pupil and Instructional Staff	1,211,473	1,325,845	(1,207,473)	(1,312,491)
School Administrative, General				
Administration, Fiscal and Business	1,488,922	1,522,619	(1,488,153)	(1,522,093)
Operations and Maintenance	1,521,647	1,639,566	(1,470,165)	(1,580,334)
Pupil Transportation	1,128,682	1,068,550	(1,109,559)	(1,068,550)
Central	0	0	0	0
Operation of Non-Instructional Services	606,228	769,200	(41,842)	(105,307)
Extracurricular Activities	661,820	628,355	(403,801)	(402,366)
Interest and Fiscal Charges	321,863	359,245	(321,863)	(359,245)
Total Expenses	<u>\$18,603,416</u>	<u>\$18,793,545</u>	<u>(\$15,451,943)</u>	<u>(\$15,363,762)</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 \$7,682,394 (80%) and assets of the debt service fund comprised \$1,476,582 (15%) of the total \$9,655,376 governmental funds' assets.

**General Fund:** Fund balance at June 30, 2015 was \$1,612,559, a decrease in fund balance of \$116,585 from 2014.

**Debt Service Fund:** Fund balance at June 30, 2015 was \$956,711, a decrease in fund balance of \$54,197 from 2014.



**Clinton-Massie Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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**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.

During the course of fiscal 2015, 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 \$15,639,388, compared to original budget estimates of \$15,081,400. Of the \$557,988 difference, most was due to an under estimate for taxes and intergovernmental revenue.

The District's general fund ending unobligated cash balance was \$2,817,541 at fiscal year end.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2015, the District had \$40,086,618 invested in land, land improvements, buildings and improvements, equipment and vehicles. Table 4 shows fiscal 2015 balances compared to fiscal 2014:

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

	Governmental Activities	
	2015	2014
Land	\$462,953	\$462,953
Land Improvements	1,204,517	1,321,013
Buildings and Improvements	37,199,300	38,531,787
Equipment	775,913	856,486
Vehicles	443,935	454,969
Total Net Capital Assets	<u>\$40,086,618</u>	<u>\$41,627,208</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, 2015, the District had \$8,276,876 in bonds and capital leases outstanding, \$717,172 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, 2015**  
(Unaudited)

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2015	2014
Bonds Payable:		
2009 Qualified School Construction	\$ 330,000	\$ 360,000
2011 Current Interest Bonds	5,775,000	6,185,000
2011 Capital Appreciation Bonds	274,995	274,995
2011 Accretion of Interest	218,927	150,466
2011 Refunding - Premium	394,541	422,722
2013 HB264 #1	660,000	705,000
2013 HB264 Premium	24,869	26,941
Capital Lease Payable:		
Capital Lease	598,544	745,103
	<u>\$8,276,876</u>	<u>\$8,870,227</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 couple of fiscal years, but has been experiencing a decline in operating reserves over the past decade. At the end of fiscal year 2015, the District has slightly less than 2 months of unencumbered operating reserves. In order to maintain the recommended operating reserves, the District has been making cuts over the past several years to reduce and or eliminate negative spending. It has been difficult making cuts while uncontrollable costs such as utilities and insurances continue to rise. The District is at a crossroads where further cuts will negatively impact their educational product. Clinton-Massie put a levy on the ballot in the fall of 2013 and again in the fall of 2014, both with unsuccessful results. The District's last operating levy was passed in 1988 which was 25 years ago and is very unusual given the current school funding climate in Ohio.

When resident student enrollment declined after the recession in 2008, 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 which continually grew each year maxing out at 172 in fiscal year 2014 and has since reduced back to 150 in fiscal year 2015. Open enrollment income really helped prop up the declining revenue stream and will continue into the future while the District better manages class sizes. Another revenue stream that began in fiscal year 2011 was property taxes from the completion of the Rockies Express Pipeline. The District received half a year of tax collections in fiscal year 2011 and a full year of tax collections in fiscal year 2012. An additional revenue stream came from Casino proceeds that are distributed via the state and began in January 2013. Also recent changes in tax collections have come into play. In 2014 during the Clinton County Real Estate Triennial Update, CAUV property values increased in Clinton County which resulted in increased tax collections beginning with first half 2015 collections in the 2014-15 fiscal year. Warren County is conducting their Real Estate Triennial Update in 2015 with collections to be reflected in 2016 which may result in additional tax collections as well.

**Clinton-Massie Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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Due to being heavily state funded, the District is highly susceptible to any and all changes made to the school funding formula. The District has been flat-lined guaranteed state funding since the 2009-2010 school year which has created financial 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. It is a constant balancing act between the needs of the district and the funds to provide those needs. The District is proactive in weighing alternatives, and making various cost-conscious changes, where possible. However, without major reform to the state funding system, a tax levy will be needed in the near future.

The District added a new High School in fiscal year 2005, a renovated Middle School in fiscal year 2009, and a new Elementary School in fiscal year 2010. The old elementary building (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.

The District has a longstanding history of high performance as rated by the Ohio Department of Education earning Excellent with Distinction and Excellent in 2010-11 and 2011-12 respectively. Beginning in 2012 when The Department changed the rating scale through the last report in 2014 from ODE, Clinton-Massie has received a grade of "A" each year in achievement and a grade of "A" each year in Value-Added. This data supports that the District continues to make good use of the financial resources it has been entrusted and continues to be successful in the pursuit of excellent 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.

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Clinton-Massie Local School District, Ohio  
Statement of Net Position  
June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$3,792,698
Receivables (Net):	
Taxes	5,732,072
Accounts	30,109
Interest	409
Intergovernmental	87,476
Inventory	12,612
Nondepreciable Capital Assets	462,953
Depreciable Capital Assets, Net	<u>39,623,665</u>
 Total Assets	 <u>49,741,994</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	268,052
	<u>1,495,023</u>
 Total Deferred Outflows of Resources	 <u>1,763,075</u>
 Liabilities:	
Accounts Payable	193,022
Accrued Wages and Benefits	1,262,791
Accrued Interest Payable	36,264
Long-Term Liabilities:	
Due Within One Year	769,393
Due In More Than One Year:	
Net Pension Liability	20,319,404
Other Amounts	<u>8,149,838</u>
 Total Liabilities	 <u>30,730,712</u>
 Deferred Inflows of Resources:	
Property Taxes	5,179,527
Pension	<u>3,678,576</u>
 Total Deferred Inflows of Resources	 <u>8,858,103</u>
 Net Position:	
Net Investment in Capital Assets	32,296,721
Restricted for:	
Debt Service	962,447
Federal Grants	35,295
Classroom Facilities Maintenance	138,355
District Managed Student Activities	74,493
Other Purposes	39
Unrestricted	<u>(21,591,096)</u>
 Total Net Position	 <u><u>\$11,916,254</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, 2015

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$8,660,112	\$1,116,533	\$60,115	(\$7,483,464)
Special	1,883,008	90,810	976,740	(815,458)
Vocational	0	0	4,748	4,748
Other	1,119,661	0	4,748	(1,114,913)
<b>Support Services:</b>				
Pupil	841,149	0	4,000	(837,149)
Instructional Staff	370,324	0	0	(370,324)
General Administration	32,522	0	0	(32,522)
School Administration	1,020,883	0	0	(1,020,883)
Fiscal	435,517	0	769	(434,748)
Operations and Maintenance	1,521,647	6,300	45,182	(1,470,165)
Pupil Transportation	1,128,682	0	19,123	(1,109,559)
Operation of Non-Instructional Services	606,228	314,901	249,485	(41,842)
Extracurricular Activities	661,820	258,019	0	(403,801)
Interest and Fiscal Charges	321,863	0	0	(321,863)
<b>Totals</b>	<b>\$18,603,416</b>	<b>\$1,786,563</b>	<b>\$1,364,910</b>	<b>(15,451,943)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	4,752,732
Special Revenue Purposes	88,141
Debt Service Purposes	508,818
Grants and Entitlements, Not Restricted	9,109,758
Revenue in Lieu of Taxes	6,842
Unrestricted Contributions	16,597
Investment Earnings	10,219
Other Revenues	209,815

Total General Revenues 14,702,922

Change in Net Position (749,021)

Net Position - Beginning of Year, Restated 12,665,275

Net Position - End of Year \$11,916,254

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$2,571,332	\$925,706	\$295,660	\$3,792,698
<b>Receivables (Net):</b>				
Taxes	5,087,654	550,876	93,542	5,732,072
Accounts	22,949	0	7,160	30,109
Interest	409	0	0	409
Intergovernmental	50	0	87,426	87,476
Inventory	0	0	12,612	12,612
<b>Total Assets</b>	<b><u>7,682,394</u></b>	<b><u>1,476,582</u></b>	<b><u>496,400</u></b>	<b><u>9,655,376</u></b>
<b>Liabilities:</b>				
Accounts Payable	117,482	0	75,540	193,022
Accrued Wages and Benefits	1,146,224	0	116,567	1,262,791
<b>Total Liabilities</b>	<b><u>1,263,706</u></b>	<b><u>0</u></b>	<b><u>192,107</u></b>	<b><u>1,455,813</u></b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	4,806,129	519,871	88,381	5,414,381
Grants and Other Taxes	0	0	29,019	29,019
<b>Total Deferred Inflows of Resources</b>	<b><u>4,806,129</u></b>	<b><u>519,871</u></b>	<b><u>117,400</u></b>	<b><u>5,443,400</u></b>
<b>Fund Balances:</b>				
Restricted	0	956,711	218,755	1,175,466
Assigned	120,265	0	18,358	138,623
Unassigned	1,492,294	0	(50,220)	1,442,074
<b>Total Fund Balances</b>	<b><u>1,612,559</u></b>	<b><u>956,711</u></b>	<b><u>186,893</u></b>	<b><u>2,756,163</u></b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b><u>\$7,682,394</u></b>	<b><u>\$1,476,582</u></b>	<b><u>\$496,400</u></b>	<b><u>\$9,655,376</u></b>

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, 2015

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Total Governmental Fund Balance		\$2,756,163
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.		
Capital assets used in the operation of Governmental Funds		40,086,618
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	234,854	
Intergovernmental	<u>29,019</u>	
		263,873
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.		
		(36,264)
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		(642,355)
Deferred outflow of resources associated with long-term liabilities are not reported in the funds.		
		268,052
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,495,023	
Deferred inflows of resources related to pensions	<u>(3,678,576)</u>	
		(2,183,553)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(20,319,404)	
Other Amounts	<u>(8,276,876)</u>	
		<u>(28,596,280)</u>
Net Position of Governmental Activities		<u><u>\$11,916,254</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, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$4,786,515	\$511,286	\$88,964	\$5,386,765
Tuition and Fees	1,184,843	0	0	1,184,843
Investment Earnings	10,219	0	0	10,219
Intergovernmental	9,581,570	71,174	819,028	10,471,772
Extracurricular Activities	82,148	0	166,181	248,329
Charges for Services	0	0	324,591	324,591
Other Revenues	141,946	0	71,825	213,771
<b>Total Revenues</b>	<b>15,787,241</b>	<b>582,460</b>	<b>1,470,589</b>	<b>17,840,290</b>
Expenditures:				
Current:				
Instruction:				
Regular	7,260,661	0	109,562	7,370,223
Special	1,420,823	0	470,124	1,890,947
Other	1,126,634	0	0	1,126,634
Support Services:				
Pupil	849,384	0	3,254	852,638
Instructional Staff	409,800	0	0	409,800
General Administration	32,522	0	0	32,522
School Administration	1,104,517	0	0	1,104,517
Fiscal	424,305	12,382	2,162	438,849
Operations and Maintenance	1,410,350	0	158,090	1,568,440
Pupil Transportation	1,131,170	0	0	1,131,170
Operation of Non-Instructional Services	2,712	0	599,530	602,242
Extracurricular Activities	377,625	0	224,500	602,125
Capital Outlay	980	0	95,382	96,362
Debt Service:				
Principal Retirement	440,324	410,000	0	850,324
Interest and Fiscal Charges	66,146	214,275	0	280,421
<b>Total Expenditures</b>	<b>16,057,953</b>	<b>636,657</b>	<b>1,662,604</b>	<b>18,357,214</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(270,712)</b>	<b>(54,197)</b>	<b>(192,015)</b>	<b>(516,924)</b>
Other Financing Sources (Uses):				
Proceeds of Capital Leases	218,765	0	0	218,765
Proceeds from Sale of Capital Assets	22,768	0	12,828	35,596
Transfers In	0	0	87,406	87,406
Transfers (Out)	(87,406)	0	0	(87,406)
<b>Total Other Financing Sources (Uses)</b>	<b>154,127</b>	<b>0</b>	<b>100,234</b>	<b>254,361</b>
<b>Net Change in Fund Balance</b>	<b>(116,585)</b>	<b>(54,197)</b>	<b>(91,781)</b>	<b>(262,563)</b>
<b>Fund Balance - Beginning of Year</b>	<b>1,729,144</b>	<b>1,010,908</b>	<b>278,674</b>	<b>3,018,726</b>
<b>Fund Balance - End of Year</b>	<b>\$1,612,559</b>	<b>\$956,711</b>	<b>\$186,893</b>	<b>\$2,756,163</b>

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, 2015

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Net Change in Fund Balance - Total Governmental Funds (\$262,563)

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	229,305	
Depreciation Expense	<u>(1,765,984)</u>	(1,536,679)

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. (3,911)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	1,303,367	
Cost of benefits earned net of employee contributions	<u>(983,501)</u>	319,866

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

Delinquent Property Taxes	(37,073)	
Intergovernmental	<u>19,493</u>	(17,580)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 850,324

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 15,913

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	161,729	
Amortization of Bond Premium	30,253	
Amortization of Deferred Charge on Refunding	(19,147)	
Bond Accretion	<u>(68,461)</u>	104,374

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. (218,765)

Change in Net Position of Governmental Activities (\$749,021)

See accompanying notes to the basic financial statements.

Clinton-Massie Local School District, Ohio  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

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	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	\$74,206	\$19,382
Receivables (Net):		
Accounts	<u>          0</u>	<u>          144</u>
Total Assets	<u>          74,206</u>	<u>          19,526</u>
Liabilities:		
Accounts Payable	1,000	1,467
Other Liabilities	<u>          0</u>	<u>          18,059</u>
Total Liabilities	<u>          1,000</u>	<u>          \$19,526</u>
Net Position:		
Held in Trust	<u>          73,206</u>	
Total Net Position	<u>          \$73,206</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, 2015

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	Private Purpose Trust
Additions:	
Investment Earnings	\$1,381
Other	2,492
Total Additions	<u>3,873</u>
Deductions:	
Other	<u>1,160</u>
Total Deductions	<u>1,160</u>
Change in Net Position	2,713
Net Position - Beginning of Year	<u>70,493</u>
Net Position - End of Year	<u><u>\$73,206</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, 2015**

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**Note 1 - Description of the School District**

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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 113 certified teaching personnel and 10 administrative employees to provide service to 1,886 students and other community members.

**Note 2 - Summary of Significant Accounting Policies**

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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).

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

**Clinton-Massie Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2015**

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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 Donna Davis Norris, who serves as Director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

**Insurance Purchasing Pool**

**Southwestern Ohio Educational Purchasing Council 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 Council (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.

*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.

**Clinton-Massie Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2015**

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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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

*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 non-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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial

**Clinton-Massie Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2015**

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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 reconciliations 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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension and grants and

**Clinton-Massie Local School District**  
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other taxes (which includes tax incremental financing 'TIF'). Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

*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. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures (See RSI pages 56-58). 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 2015.

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 2015.



**Clinton-Massie Local School District**  
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**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 2015, investments were limited to federally insured negotiable 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 2015 amounted to \$10,219.

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 the value of the donated commodities which is equally offset by a restricted fund balance in the governmental funds.

**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.

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

**Clinton-Massie Local School District**  
**Notes to the Basic Financial Statements**  
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Description	Estimated Lives
Land Improvements	20 years
Buildings and improvements	20 - 50 years
Equipment	5 - 20 years
Vehicles	8 years

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**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.

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

**Clinton-Massie Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year ended June 30, 2015**

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<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 and capital leases 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**  
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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 applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Net Position**

Net position represents the difference between 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 \$1,210,629 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.

**Note 3 – Accountability**

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**Deficit Fund Balances**

Fund balances at June 30, 2015 included the following individual fund deficits:

**Clinton-Massie Local School District**  
**Notes to the Basic Financial Statements**  
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<u>Nonmajor funds</u>	<u>Deficit</u>
Special Education	\$14,837
Title I	3,446
Food Service	31,937

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**

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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 five 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.
- (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.

**Clinton-Massie Local School District**  
**Notes to the Basic Financial Statements**  
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- (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, 2015, the carrying amount of the District's deposits was \$3,886,285 and the bank balance was \$4,094,602. The Federal Deposit Insurance Corporation (FDIC) covered \$2,435,273 of the bank balance and \$1,659,329 was uninsured.

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, 2015**

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**Investments**

As of June 30, 2015, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Negotiable CDs	1,933,686	0.80
	<u>\$1,933,686</u>	
Portfolio Weighted Average Maturity		0.80

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 to three years.

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. Negotiable CDs are not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 100% in Negotiable CDs.

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.

**Note 5 - Property Taxes**

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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 and public utility property located in the District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real property taxes received in calendar year 2015 became a lien on December 31, 2010, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value.

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, 2015, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2015 was \$281,525 in the general fund, \$31,005 in the debt service fund and

**Clinton-Massie Local School District**  
**Notes to the Basic Financial Statements**  
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\$5,161 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, 2015, 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 2015 taxes were collected are:

	2015 First Half Collections		2014 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$241,498,090	92.21%	\$215,784,170	91.26%
Public utility personal	20,402,090	7.79%	20,663,310	8.74%
Total	<u>\$261,900,180</u>	<u>100.00%</u>	<u>\$236,447,480</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.25		\$30.25	

**Note 6 – Receivables**

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Receivables at June 30, 2015 consisted of taxes, accounts (billings for user charged services and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of receivables reported on the statement of net position follows:

**Governmental activities:**

Taxes	\$5,732,072
Accounts	30,109
Interest	409
Intergovernmental	<u>87,476</u>
Total	<u>\$5,850,066</u>

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



**Clinton-Massie Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2015**

**Note 7 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$462,953	\$0	\$0	\$462,953
<b><i>Capital Assets, being depreciated:</i></b>				
Land Improvements	2,580,524	0	0	2,580,524
Buildings and Improvements	52,370,989	95,382	0	52,466,371
Equipment	2,238,335	43,474	29,380	2,252,429
Vehicles	1,603,068	90,449	134,270	1,559,247
Totals at Historical Cost	<u>59,255,869</u>	<u>229,305</u>	<u>163,650</u>	<u>59,321,524</u>
Less Accumulated Depreciation:				
Land Improvements	1,259,511	116,496	0	1,376,007
Buildings and Improvements	13,839,202	1,427,869	0	15,267,071
Equipment	1,381,849	120,136	25,469	1,476,516
Vehicles	1,148,099	101,483	134,270	1,115,312
Total Accumulated Depreciation	<u>17,628,661</u>	<u>1,765,984</u>	<u>159,739</u>	<u>19,234,906</u>
Governmental Activities Capital Assets, Net	<u>\$41,627,208</u>	<u>(\$1,536,679)</u>	<u>\$3,911</u>	<u>\$40,086,618</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,555,655
Special	2,082
Support Services:	
Instructional Staff	7,487
School Administration	395
Fiscal	8,121
Operations and Maintenance	16,194
Pupil Transportation	104,663
Operation of Non-Instructional Services	17,159
Extracurricular Activities	54,228
Total Depreciation Expense	<u>\$1,765,984</u>

**Clinton-Massie Local School District**  
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**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, 2015:

<u>Fiscal Year Ending June 30,</u>	
2016	\$312,473
2017	274,666
2018	<u>58,738</u>
Total minimum lease payments	645,877
Less amount representing interest	<u>(47,333)</u>
Total	<u><u>\$598,544</u></u>

**Note 9 - Long-Term Obligations**

During the fiscal year 2015, the following changes occurred in governmental activities long-term obligations:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
General obligation bonds:					
2009 Qualified School Construction Bonds	\$360,000	\$0	(\$30,000)	\$330,000	\$30,000
2011 Current Interest Bonds	6,185,000	0	(410,000)	5,775,000	420,000
2011 Capital Appreciation Bonds	274,995	0	0	274,995	0
2011 Accretion of Interest	150,466	68,461	0	218,927	0
2011 Refunding - Premium	422,722	0	(28,181)	394,541	0
2013 HB264 #1	705,000	0	(45,000)	660,000	45,000
2013 HB264 Premium	26,941	0	(2,072)	24,869	0
Subtotal	<u>8,125,124</u>	<u>68,461</u>	<u>(515,253)</u>	<u>7,678,332</u>	<u>495,000</u>
Net Pension Liability:					
STRS	19,921,691	0	(3,152,387)	16,769,304	0
SERS	4,172,668	0	(622,568)	3,550,100	0
Total Net Pension Liability	<u>24,094,359</u>	<u>0</u>	<u>(3,774,955)</u>	<u>20,319,404</u>	<u>0</u>
Capital Lease	<u>745,103</u>	<u>218,765</u>	<u>(365,324)</u>	<u>598,544</u>	<u>222,172</u>
Compensated Absences	<u>873,354</u>	<u>144,236</u>	<u>(375,235)</u>	<u>642,355</u>	<u>52,221</u>
Total Governmental Activities	<u><u>\$33,837,940</u></u>	<u><u>\$431,462</u></u>	<u><u>(\$5,030,767)</u></u>	<u><u>\$29,238,635</u></u>	<u><u>\$769,393</u></u>

**Clinton-Massie Local School District**  
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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 conservation 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 general 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. Principal and interest are paid from the general fund.

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.

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
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	80,000	22,662	102,662	146,970	479,255	626,225
2020	85,000	20,562	105,562	128,025	503,201	631,226
2021-2025	2,895,000	737,272	3,632,272	0	0	0
2026-2029	2,185,000	166,251	2,351,251	0	0	0
Total	<u>\$6,765,000</u>	<u>\$1,615,042</u>	<u>\$8,380,042</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

**Clinton-Massie Local School District**  
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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**

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**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 2015, the district contracted with Arthur J Gallagher & Co., through the Southwestern Ohio Educational Purchasing Council for property, general liability and auto insurance.

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

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

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

**Note 11 - Defined Benefit Pension Plans**

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**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

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GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent

**Clinton-Massie Local School District**  
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for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$350,136 for fiscal year 2015. Of this amount \$64,657 is reported as accrued wages and benefits.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among 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. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account

**Clinton-Massie Local School District**  
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or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$953,232 for fiscal year 2015. Of this amount \$152,904 is reported as accrued wages and benefits.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,550,100	\$16,769,304	\$20,319,404
Proportion of the Net Pension Liability	0.07014700%	0.06894292%	
Pension Expense	208,775	774,726	983,501

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**Clinton-Massie Local School District**  
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At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$30,215	\$161,441	\$191,656
District contributions subsequent to the measurement date	<u>350,136</u>	<u>953,231</u>	<u>1,303,367</u>
Total Deferred Outflows of Resources	<u>\$380,351</u>	<u>\$1,114,672</u>	<u>\$1,495,023</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$576,191</u>	<u>\$3,102,385</u>	<u>\$3,678,576</u>

\$1,303,367 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$136,494)	(\$735,236)	(\$871,730)
2017	(136,494)	(735,236)	(871,730)
2018	(136,494)	(735,236)	(871,730)
2019	<u>(136,494)</u>	<u>(735,236)</u>	<u>(871,730)</u>
Total	<u>(\$545,976)</u>	<u>(\$2,940,944)</u>	<u>(\$3,486,920)</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.



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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed

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investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$5,064,937	\$3,550,100	\$2,275,990

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
 Total	 <u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$24,007,087	\$16,769,304	\$10,648,575

**Note 12 - Post Employment Benefits**

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***School Employees Retirement System***

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug

**Clinton-Massie Local School District**  
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program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$35,479.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$55,987, \$38,971, and \$38,830, respectively. For fiscal year 2015, 82 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

***State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$70,591, and \$73,167 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Clinton-Massie Local School District**  
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**Note 13 – Contingencies**

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**Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**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, 2015, if applicable, cannot be determined at this time.

**Litigation**

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

**Note 14 - Statutory Reserves**

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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, 2015, the reserve activity was as follows:

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2014	\$0
Current Year Set Aside Requirements	312,924
Qualified Disbursements	(213,757)
Prior Year Offsets from Bond Proceeds	(99,167)
Set Aside Reserve Balance as of June 30, 2015	<u>\$0</u>
Restricted Cash as of June 30, 2015	<u>\$0</u>

During fiscal year 2013, the District issued \$796,564 in capital related debt. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$697,397 at June 30, 2015.

**Clinton-Massie Local School District**  
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**Note 15 – 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 government 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
<b>Restricted for:</b>				
Other Grants	\$0	\$0	\$39	\$39
Classroom Facilities Maintenance	0	0	134,501	134,501
Student Activity	0	0	74,493	74,493
Vocational Education	0	0	3,229	3,229
Idea Preschool Grant	0	0	410	410
Debt Service	0	956,711	0	956,711
Improving Teacher Quality	0	0	6,083	6,083
<b>Total Restricted</b>	0	956,711	218,755	1,175,466
<b>Assigned to:</b>				
Permanent Improvement	0	0	18,358	18,358
Budgetary Resource	0	0	0	0
Public School	36,671	0	0	36,671
Encumbrances	83,594	0	0	83,594
<b>Total Assigned</b>	120,265	0	18,358	138,623
<b>Unassigned (Deficit)</b>	1,492,294	0	(50,220)	1,442,074
<b>Total Fund Balance</b>	\$1,612,559	956,711	\$186,893	\$2,756,163

**Note 16 – Change in Accounting Principles**

The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this

**Clinton-Massie Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year ended June 30, 2015**

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Statement are required to be applied simultaneously with the provisions of Statement 68.

**Note 17 – Change in Accounting Principle and Restatement of Net Position**

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For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$35,488,098
Adjustments:	
Net Pension Liability	(24,094,359)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>1,271,536</u>
Restated Net Position June 30, 2014	<u><u>\$12,665,275</u></u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Note 18 – Other Commitments**

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The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General Fund	\$83,594
Total	<u><u>\$83,594</u></u>

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# **REQUIRED SUPPLEMENTARY INFORMATION**





Clinton Massie Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.06894292%	0.06894292%
District's Proportionate Share of the Net Pension Liability	\$16,769,304	\$19,975,486
District's Covered-Employee Payroll	\$6,264,553	\$6,319,607
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	267.69%	316.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available

Clinton Massie Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.070147%	0.070147%
District's Proportionate Share of the Net Pension Liability	\$3,550,100	\$4,171,417
District's Covered-Employee Payroll	\$1,806,534	\$1,892,693
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	196.51%	220.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) - Information prior to 2013 is not available

Clinton Massie Local School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$953,232	\$986,169	\$1,024,344	\$999,720	\$961,152	\$1,007,976	\$1,008,732	\$938,232	\$873,888	\$849,840
Contributions in Relation to the Contractually Required Contribution	(953,232)	(986,169)	(1,024,344)	(999,720)	(961,152)	(1,007,976)	(1,008,732)	(938,232)	(873,888)	(849,840)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$5,921,480	\$6,264,553	\$6,319,607	\$6,272,024	\$6,177,417	\$6,116,392	\$6,136,607	\$5,876,423	\$5,603,110	\$5,257,995
Contributions as a Percentage of Covered-Employee Payroll	16.10%	15.74%	16.21%	15.94%	15.56%	16.48%	16.44%	15.97%	15.60%	16.16%

Clinton Massie Local School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$350,136	\$285,367	\$331,464	\$306,792	\$335,400	\$331,956	\$341,220	\$322,980	\$299,832	\$296,280
Contributions in Relation to the Contractually Required Contribution	(350,136)	(285,367)	(331,464)	(306,792)	(335,400)	(331,956)	(341,220)	(322,980)	(299,832)	(296,280)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$1,870,877	\$1,806,534	\$1,892,693	\$1,907,031	\$1,851,023	\$1,966,059	\$2,057,631	\$2,000,888	\$1,944,819	\$1,987,701
Contributions as a Percentage of Covered-Employee Payroll	18.72%	15.80%	17.51%	16.09%	18.12%	16.88%	16.58%	16.14%	15.42%	14.91%

**Clinton-Massie Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2015**

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**SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

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, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$4,563,203	\$4,732,034	\$4,732,034	\$0
Tuition and Fees	1,147,262	1,189,709	1,189,709	0
Investment Earnings	9,658	10,015	10,015	0
Intergovernmental	9,256,426	9,598,900	9,598,899	(1)
Other Revenues	104,851	108,730	108,730	0
<b>Total Revenues</b>	<b>15,081,400</b>	<b>15,639,388</b>	<b>15,639,387</b>	<b>(1)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	7,352,339	7,365,586	7,365,752	(166)
Special	1,421,381	1,423,942	1,423,974	(32)
Other	1,128,181	1,130,214	1,130,239	(25)
<b>Support Services:</b>				
Pupil	897,447	899,064	899,084	(20)
Instructional Staff	419,350	420,106	420,115	(9)
General Administration	32,907	32,966	32,967	(1)
School Administration	1,109,543	1,111,542	1,111,567	(25)
Fiscal	427,326	428,096	428,106	(10)
Operations and Maintenance	1,474,963	1,477,621	1,477,654	(33)
Pupil Transportation	1,175,537	1,177,655	1,177,682	(27)
Extracurricular Activities	409,144	409,881	409,890	(9)
Operation of Non-Instructional Services	3,426	3,432	3,432	0
Capital Outlay	978	980	980	0
<b>Debt Service:</b>				
Principal Retirement	75,000	75,000	75,000	0
Interest and Fiscal Charges	41,033	41,033	41,033	0
<b>Total Expenditures</b>	<b>15,968,555</b>	<b>15,997,118</b>	<b>15,997,475</b>	<b>(357)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(887,155)</b>	<b>(357,730)</b>	<b>(358,088)</b>	<b>(358)</b>
<b>Other financing sources (uses):</b>				
Proceeds from Sale of Capital Assets	19,242	19,954	19,954	0
Advances In	449,181	449,990	450,000	10
Advances (Out)	(433,945)	(450,000)	(450,000)	0
Insurance Recoveries	2,714	2,814	2,814	0
Transfers In	4,906	5,087	5,087	0
Transfers (Out)	(87,383)	(87,540)	(87,542)	(2)
<b>Total Other Financing Sources (Uses)</b>	<b>(45,285)</b>	<b>(59,695)</b>	<b>(59,687)</b>	<b>8</b>
<b>Net Change in Fund Balance</b>	<b>(932,440)</b>	<b>(417,425)</b>	<b>(417,775)</b>	<b>(350)</b>
<b>Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>2,817,541</b>	<b>2,817,541</b>	<b>2,817,541</b>	<b>0</b>
<b>Fund Balance - End of Year</b>	<b>\$1,885,101</b>	<b>\$2,400,116</b>	<b>\$2,399,766</b>	<b>(\$350)</b>

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, 2015**

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**Note 1 – Budgetary Process**

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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. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function 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 on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2015.

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 accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The 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.

**Clinton-Massie Local School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2015**

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5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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	
	General
GAAP Basis	(\$116,585)
Revenue Accruals	(148,786)
Expenditure Accruals	176,127
Proceeds of Capital Leases	(218,765)
Insurance Revenues	2,814
Proceeds of Capital Assets	(2,814)
Transfers In	5,087
Transfers (Out)	(136)
Advances In	450,000
Advances Out	(450,000)
Encumbrances	(117,184)
Funds Budgeted Elsewhere	2,467
Budget Basis	(\$417,775)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, underground storage tank fund, and the public school support fund.

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## **SUPPLEMENTARY INFORMATION**

**CLINTON-MASSIE LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<i>Child Nutrition Cluster:</i>				
(D)(E) School Breakfast Program	10.553	2015	\$ 29,253	\$ 29,253
(C)(E) National School Lunch Program-Food Donation	10.555	2015	45,034	45,034
(D)(E) National School Lunch Program	10.555	2015	182,996	182,996
<b>Total National School Lunch Program</b>			<u>228,030</u>	<u>228,030</u>
<b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>			<u>257,283</u>	<u>257,283</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
Title I Grants to Local Educational Agencies	84.010	2014	17,256	17,142
Title I Grants to Local Educational Agencies	84.010	2015	136,847	136,834
<b>Total Title I Grants to Local Educational Agencies</b>			<u>154,103</u>	<u>153,976</u>
<i>Special Education Cluster</i>				
(F) Special Education_Grants to States	84.027	2014	39,036	46,041
(F) Special Education_Grants to States	84.027	2015	267,933	267,672
<b>Total Special Education Grants to States</b>			<u>306,969</u>	<u>313,713</u>
(F) Special Education_Preschool Grants	84.173	2014	410	410
(F) Special Education_Preschool Grants	84.173	2015	2,868	2,868
<b>Total Special Education_Preschool Grants</b>			<u>3,278</u>	<u>3,278</u>
<i>Total Special Education Cluster</i>			<u>310,247</u>	<u>316,991</u>
Improving Teacher Quality State Grants	84.367	2014	6,361	6,361
Improving Teacher Quality State Grants	84.367	2015	48,632	48,632
<b>Total Improving Teacher Quality State Grants</b>			<u>54,993</u>	<u>54,993</u>
<b>Total U.S. Department of Education</b>			<u>519,343</u>	<u>525,960</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 776,626</u>	<u>\$ 783,243</u>

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

- (A) OAKS did not assign pass through numbers for fiscal year 2015.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of "Child Nutrition Cluster" in determining major programs.
- (F) Included as part of "Special Education Cluster" in determining major programs.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clinton-Massie Local School District, Clinton County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Clinton-Massie Local School District's basic financial statements and have issued our report thereon dated November 25, 2015, wherein we noted as discussed in Notes 16 and 17, the Clinton-Massie Local School District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Clinton-Massie Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Education  
Clinton-Massie Local School District

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

Julian & Grube, Inc.  
November 25, 2015



**Julian & Grube, Inc.**  
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

To the Board of Education:

***Report on Compliance for the Major Federal Program***

We have audited the Clinton-Massie Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Clinton-Massie Local School District's major federal program for the fiscal year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Clinton-Massie Local School District's major federal program.

***Management's Responsibility***

The Clinton-Massie Local School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the Clinton-Massie Local School District's compliance for the Clinton-Massie Local School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clinton-Massie Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Clinton-Massie Local School District's major program. However, our audit does not provide a legal determination of the Clinton-Massie Local School District's compliance.

Board of Education  
Clinton-Massie Local School District

***Opinion on the Major Federal Program***

In our opinion, the Clinton-Massie Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2015.

***Report on Internal Control Over Compliance***

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

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

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

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



Julian & Grube, Inc.  
November 25, 2015

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2015**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Cluster: CFDA #84.027 Special Education Grants to States; and CFDA #84.173 Special Education Preschool Grants
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

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

None

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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 11, 2016**