

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015***

**JOHN STANLEY, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the East Clinton 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 East Clinton Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

February 8, 2016

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**EAST CLINTON 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

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

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 East Clinton 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 East Clinton 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 East Clinton 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 East Clinton 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 East Clinton Local School District, Clinton County, Ohio, as of June 30, 2015, and the respective changes in the financial position thereof and the budgetary comparison for the General fund thereof 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 Note 3 to the financial statements, during the fiscal year ended June 30, 2015, the East Clinton Local School District adopted the provisions of 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*. 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* and schedules of net pension liability and pension contributions, 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 East Clinton 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 relates 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 30, 2015, on our consideration of the East Clinton Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 East Clinton Local School District's internal control over financial reporting and compliance.





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

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As management of the East Clinton Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the Notes to the Basic Financial Statements to enhance their understanding of the School District's performance.

This discussion and analysis of East Clinton Local School District's financial performance is intended to serve as an introduction to the School District's basic financial statements, and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015.

### **Financial Highlights**

- The School District had an increase in property taxes revenue. The assessed agriculture valuation increased during the update cycle.
- Charges for services revenue increased due to additional activity in the program funds.

### **Using the Basic Financial Statements**

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

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

### **Reporting the School District as a Whole**

One of the most important questions asked about the School District is "How did we do financially during 2015?" The *Statement of Net Position* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets*, *deferred outflows of resources*, *liabilities*, and *deferred inflows of resources* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

## **Reporting the School District's Most Significant Funds**

### **Fund Financial Statements**

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

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the Governmental Fund Balance Sheet, and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

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

### **The School District as a Whole**

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

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

Table 1 provides a summary of the School District's net position at June 30, 2015 and June 30, 2014:

<b>Assets</b>	2015	2014	Change
Current and Other Assets	\$12,457,282	\$10,432,145	\$2,025,137
Capital Assets, Net	13,312,798	13,859,783	(546,985)
<b>Total Assets</b>	<b>25,770,080</b>	<b>24,291,928</b>	<b>1,478,152</b>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	22,482	37,960	(15,478)
Pension	1,140,385	963,233	177,152
<b>Total Deferred Outflows</b>	<b>1,162,867</b>	<b>1,001,193</b>	<b>161,674</b>
<b>Liabilities</b>			
Other Liabilities	1,405,358	1,380,054	25,304
Long-Term Liabilities			
Net Pension Liability	15,797,342	18,763,762	(2,966,420)
Other Amounts	1,642,617	1,938,322	(295,705)
<b>Total Liabilities</b>	<b>18,845,317</b>	<b>22,082,138</b>	<b>(3,236,821)</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	3,443,823	3,066,977	376,846
Pension	2,846,903	0	2,846,903
<b>Total Deferred Inflows</b>	<b>6,290,726</b>	<b>3,066,977</b>	<b>3,223,749</b>
<b>Net Position</b>			
Net Investment in Capital Assets	12,292,624	12,748,684	(456,060)
Restricted	2,313,305	2,119,069	194,236
Unrestricted	(12,809,025)	(14,723,747)	1,914,722
<b>Total Net Position</b>	<b>\$1,796,904</b>	<b>\$144,006</b>	<b>\$1,652,898</b>

During 2015, the School 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 School 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.

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

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Under the new standards required by GASB 68, the net pension liability equals the School 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 School 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. 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 School 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 School 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 \$17,944,535 to \$144,006.

Net investment in capital assets decreased \$456,060, which was due to depreciation exceeding additions for the fiscal year.

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

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

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

Table 2  
Change in Net Position  
Governmental Activities

<b>Revenues</b>	<u>2015</u>	<u>2014</u>	<u>Change</u>
Program Revenues:			
Charges for Services and Sales	\$1,226,303	\$1,118,672	\$107,631
Operating Grants, Contributions and Interest	2,020,040	2,158,921	(138,881)
Capital Grants and Contributions	78,202	79,474	(1,272)
Total Program Revenues	<u>3,324,545</u>	<u>3,357,067</u>	<u>(32,522)</u>
General Revenues:			
Property Taxes	3,800,756	3,177,040	623,716
Grants and Entitlements not Restricted to Specific Programs	8,139,013	8,270,716	(131,703)
Investment Earnings	69,748	35,218	34,530
Miscellaneous	131,984	123,981	8,003
Total General Revenues	<u>12,141,501</u>	<u>11,606,955</u>	<u>534,546</u>
Total Revenues	<u>15,466,046</u>	<u>14,964,022</u>	<u>502,024</u>
<b>Program Expenses</b>			
Instruction:			
Regular	6,107,900	6,408,998	(301,098)
Special	2,225,702	2,336,546	(110,844)
Vocational	97,410	87,314	10,096
Student Intervention Services	1,087	729	358
Support Services:			
Pupils	511,370	485,023	26,347
Instructional Staff	430,103	377,391	52,712
Board of Education	50,594	59,203	(8,609)
Administration	994,909	992,300	2,609
Fiscal	312,230	303,196	9,034
Business	5,964	3,740	2,224
Operation and Maintenance of Plant	1,177,371	1,304,809	(127,438)
Pupil Transportation	866,621	850,270	16,351
Central	\$59,438	\$53,227	\$6,211

(continued)

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

Table 2  
Change in Net Position  
Governmental Activities  
(continued)

Operation of Non-Instructional Services:			
Other	\$0	\$0	\$0
Food Service Operations	569,948	620,874	(50,926)
Extracurricular Activities	358,213	338,398	19,815
Interest and Fiscal Charges	44,288	41,056	3,232
Total Expenses	<u>13,813,148</u>	<u>14,263,074</u>	<u>(449,926)</u>
Increase in Net Position	1,652,898	700,948	951,950
Net Position at Beginning of Year	144,006	N/A	144,006
Net Position at End of Year	<u>\$1,796,904</u>	<u>\$144,006</u>	<u>\$1,095,956</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 functional expenses still include pension expense of \$963,233 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 expense of \$695,352. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$13,813,148
Pension expense under GASB 68	(695,352)
2015 contractually required contribution	<u>992,021</u>
Adjusted 2015 program expenses	14,109,817
Total 2014 program expenses under GASB 27	<u>14,263,074</u>
Change in program expenses not related to pension	<u><u>(\$153,257)</u></u>

**Governmental Activities**

Property taxes increased \$623,716 due to an increase in valuation mainly to agricultural properties.

Grants and entitlements not restricted to specific programs decreased \$138,881 due to the decrease in enrollment. The decrease is also due to the change in the State Foundation formula. Charges for Services and Sales increased due to additional activity in the program funds.

Overall expenses decreased by \$449,926 in fiscal year 2015 compared to fiscal year 2014. This decrease is due to a few retirements as well as staff leaving and getting replaced by staff with less experience or positions not being filled.

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

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

Table 3  
 Governmental Activities

	Total Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2015	Net Cost of Services 2014
Instruction	\$8,432,099	\$8,833,587	\$6,088,012	\$6,545,568
Support Services	4,408,600	4,429,159	4,143,864	4,187,589
Operation of Non-				
Instructional Services	569,948	620,874	(42,872)	(105,884)
Extracurricular Activities	358,213	338,398	255,311	237,678
Interest and Fiscal Charges	44,288	41,056	44,288	41,056
Total Expenses	<u>\$13,813,148</u>	<u>\$14,263,074</u>	<u>\$10,488,603</u>	<u>\$10,906,007</u>

**The School District's Funds**

Information about the School District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,529,853, expenditures of \$13,854,823, and other financing sources of \$8,307.

The net change in the General Fund balance for the fiscal year was an increase of \$1,440,453. This increase was a result of the revenues outpacing expenditures. Property tax revenue increased due to increases in assessed agriculture valuation during the update cycle.

The Bond Retirement Fund balance increased \$23,151. This is a result of revenues exceeding expenditures.

The Permanent Improvement Fund balance increased \$207,450. This was due to a decrease in regular instruction and operation and maintenance of plant expenditures. In fiscal year, 2014, the School District had larger than normal purchases in textbooks and were working on several small operation and maintenance projects.

**General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. During the course of fiscal year 2015, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

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

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The School District's ending unobligated cash balance was \$46,200 under the final budgeted amount in the General Fund.

For the General Fund, actual revenue was \$13,157,197, with final budget estimates of \$13,110,997, a difference of \$46,200. Original budgeted amounts were \$12,767,425, a difference of \$343,572 from final budget estimates. The School District received unanticipated revenues during the school year, causing the variance between original budget and final budget estimates.

Actual expenditures were \$12,012,718, with final appropriations matching. Original estimated expenditures of \$12,308,023 varied from final budget basis expenditures by \$295,305. The School District anticipated expenditures to be higher than they ended based on trends from the prior year but due to change in staffing the expenditures came in lower.

**Capital Assets and Debt Administration**

***Capital Assets***

The East Clinton Local School District's investment in capital assets as of June 30, 2015 was \$13,312,798. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows June 30, 2015 balances compared to June 30, 2014:

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

	2015	2014
Land	\$452,753	\$426,976
Buildings and Improvements	11,694,319	12,262,173
Furniture, Fixtures and Equipment	703,726	693,386
Vehicles	462,000	477,248
<b>Totals</b>	<b>\$13,312,798</b>	<b>\$13,859,783</b>

Net capital assets decreased \$546,985 as a result of the current year depreciation expense offset by additions to capital assets.

For more information on capital assets, refer to Note 9 of the Basic Financial Statements.

***Debt***

At June 30, 2015, the School District had \$1,266,756 in bonds outstanding, with \$306,262 due within one year. Table 5 summarizes outstanding bonds:



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

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Table 5  
 Outstanding Debt, at June 30,

	2015	2014
2003 - School Improvement Refunding Bonds	\$41,162	\$89,423
Accretion on Capital Appreciation Bonds	224,100	434,691
Premium on Refunding	10,460	20,920
2013 - School Improvement Refunding Bonds	566,000	567,000
Premium on Refunding	15,034	21,716
2010 - Energy Conservation Bonds	410,000	450,000
Totals	\$1,266,756	\$1,583,750

The School District's voted legal debt margin was \$15,995,355 with an energy conservation debt margin of \$1,214,171 and an unvoted debt margin of \$180,463 at June 30, 2015.

For more information on debt, refer to Note 14 of the Basic Financial Statements.

**District Challenges for the Future**

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

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

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

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

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact John Stanley, Treasurer, at East Clinton Local School District, 97 Astro Way, Sabina, OH 45169.

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**East Clinton Local School District**  
Statement of Net Position  
June 30, 2015

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,277,346
Accrued Interest Receivable	13,221
Materials and Supplies Inventory	3,051
Inventory Held for Resale	11,036
Intergovernmental Receivable	144,048
Property Taxes Receivable	4,008,580
Capital Assets:	
Land	452,753
Depreciable Capital Assets, Net	12,860,045
<i>Total Assets</i>	25,770,080
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	22,482
Pension	1,140,385
Total Deferred Outflows of Resources	1,162,867
<b>Liabilities</b>	
Accounts Payable	21,439
Accrued Wages and Benefits Payable	1,243,160
Intergovernmental Payable	114,252
Matured Compensated Absences Payable	24,459
Accrued Interest Payable	2,048
Long-Term Liabilities:	
Due Within One Year	335,768
Due in More Than One Year	
Net Pension Liability	15,797,342
Other Amounts	1,306,849
<i>Total Liabilities</i>	18,845,317
<b>Deferred Inflows of Resources</b>	
Property Taxes	3,443,823
Pension	2,846,903
Total Deferred Inflows of Resources	\$6,290,726

(continued)

See Accompanying Notes to the Basic Financial Statements

***East Clinton Local School District***  
Statement of Net Position  
June 30, 2015  
*Continued*

	Governmental Activities
<b>Net Position</b>	
Net Investment in Capital Assets	\$12,292,624
Restricted for:	
Capital Projects	618,718
Debt Service	375,956
Classroom Facilities	320,991
Food Service	551,343
Other Purposes	99,957
Library Materials and Services:	
Expendable	49,077
Nonexpendable	297,263
Unrestricted (Deficit)	(12,809,025)
 <i>Total Net Position</i>	 <b>\$1,796,904</b>

See Accompanying Notes to the Basic Financial Statements

**East Clinton Local School District**  
**Statement of Activities**  
For the Fiscal Year Ended June 30, 2015

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest
<b>Governmental Activities</b>			
Instruction:			
Regular	\$6,107,900	\$914,494	\$66,353
Special	2,225,702	0	1,299,678
Vocational	97,410	0	55,742
Student Intervention Services	1,087	0	0
Support Services:			
Pupils	511,370	0	4,959
Instructional Staff	430,103	0	11,066
Board of Education	50,594	0	0
Administration	994,909	0	69,270
Fiscal	312,230	0	46,171
Business	5,964	0	0
Operation and Maintenance of Plant	1,177,371	5,869	20,949
Pupil Transportation	866,621	0	36,070
Central	59,438	0	0
Operation of Non-Instructional Services:			
Food Service Operations	569,948	203,038	409,782
Extracurricular Activities	358,213	102,902	0
Interest and Fiscal Charges	44,288	0	0
<i>Total Governmental Activities</i>	<u>\$13,813,148</u>	<u>\$1,226,303</u>	<u>\$2,020,040</u>

(continued)

See Accompanying Notes to the Basic Financial Statements

**East Clinton Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2015  
Continued

	Program Revenues	Net(Expense) Revenue and Changes in Net Position
	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>		
Instruction:		
Regular	\$7,820	(\$5,119,233)
Special	0	(926,024)
Vocational	0	(41,668)
Student Intervention Services	0	(1,087)
Support Services:		
Pupils	0	(506,411)
Instructional Staff	0	(419,037)
Board of Education	0	(50,594)
Administration	0	(925,639)
Fiscal	4,693	(261,366)
Business	0	(5,964)
Operation and Maintenance of Plant	21,897	(1,128,656)
Pupil Transportation	43,792	(786,759)
Central	0	(59,438)
Operation of Non-Instructional Services:		
Food Service Operations	0	42,872
Extracurricular Activities	0	(255,311)
Interest and Fiscal Charges	0	(44,288)
<i>Total Governmental Activities</i>	\$78,202	(10,488,603)
<b>General Revenues</b>		
Property Taxes Levied for:		
General Purposes		3,164,174
Debt Service		282,249
Capital Outlay		304,720
Classroom Facilities Maintenance		49,613
Grants and Entitlements not		
Restricted to Specific Programs		8,139,013
Investment Earnings		69,748
Miscellaneous		131,984
<i>Total General Revenues</i>		12,141,501
<i>Change in Net Position</i>		1,652,898
<i>Net Position at Beginning of Year - Restated</i> <i>(See Note 3)</i>		144,006
<i>Net Position at End of Year</i>		\$1,796,904

See Accompanying Notes to the Basic Financial Statements

**East Clinton Local School District**

Balance Sheet  
Governmental Funds  
June 30, 2015

	General Fund	Bond Retirement Fund	Permanent Improvement Fund
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,048,271	\$336,015	\$577,884
Materials and Supplies Inventory	0	0	0
Inventory Held for Resale	0	0	0
Accrued Interest Receivable	12,488	0	0
Interfund Receivable	5,216	0	0
Intergovernmental Receivable	0	0	0
Property Taxes Receivable	3,328,749	294,448	331,369
<i>Total Assets</i>	\$9,394,724	\$630,463	\$909,253
<b>Liabilities</b>			
Accounts Payable	\$17,625	\$0	\$2,255
Accrued Wages and Benefits Payable	1,102,504	0	0
Matured Compensated Absences Payable	24,459	0	0
Interfund Payable	0	0	0
Intergovernmental Payable	99,264	0	0
<i>Total Liabilities</i>	1,243,852	0	2,255
<b>Deferred Inflows of Resources</b>			
Property Tax	2,856,076	252,459	288,280
Unavailable Revenues	201,486	17,198	17,619
<i>Total Deferred Inflows of Resources</i>	3,057,562	269,657	305,899
<b>Fund Balances</b>			
Nonspendable	0	0	0
Restricted	0	360,806	601,099
Committed	84,672	0	0
Assigned	125,622	0	0
Unassigned (Deficit)	4,883,016	0	0
<i>Total Fund Balances</i>	5,093,310	360,806	601,099
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	\$9,394,724	\$630,463	\$909,253

See Accompanying Notes to the Basic Financial Statements



Nonmajor Governmental Funds	Total Governmental Funds
\$1,315,176	\$8,277,346
3,051	3,051
11,036	11,036
733	13,221
0	5,216
144,048	144,048
54,014	4,008,580
<u>\$1,528,058</u>	<u>\$12,462,498</u>
\$1,559	\$21,439
140,656	1,243,160
0	24,459
5,216	5,216
14,988	114,252
<u>162,419</u>	<u>1,408,526</u>
47,008	3,443,823
141,876	378,179
<u>188,884</u>	<u>3,822,002</u>
303,051	303,051
975,650	1,937,555
0	84,672
0	125,622
(101,946)	4,781,070
<u>1,176,755</u>	<u>7,231,970</u>
<u>\$1,528,058</u>	<u>\$12,462,498</u>

See Accompanying Notes to the Basic Financial Statements

**East Clinton Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2015

<b>Total Governmental Fund Balances</b>		<b>\$7,231,970</b>
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	452,753	
Other capital assets	28,306,971	
Accumulated depreciation	(15,446,926)	
Total		13,312,798
 Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.		
Taxes	201,486	
Intergovernmental	176,513	
Interest	180	
Total		378,179
 The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	1,140,385	
Deferred Inflows - Pension	(2,846,903)	
Net Pension Liability	(15,797,342)	
Total		(17,503,860)
 Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds.		
		22,482
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(2,048)
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(632,656)	
Accretion on capital appreciation bonds	(224,100)	
Energy conservation bonds payable	(410,000)	
Compensated absences	(375,861)	
Total		(1,642,617)
<b>Net Position of Governmental Activities</b>		<b>\$1,796,904</b>

See Accompanying Notes to the Basic Financial Statements

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**East Clinton Local School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2015

	General Fund	Bond Retirement Fund	Permanent Improvement Fund
<b>Revenues</b>			
Property Taxes	\$3,178,536	\$285,691	\$311,426
Intergovernmental	9,033,295	45,914	78,202
Investment Earnings	64,239	0	0
Tuition and Fees	914,494	0	0
Rent	1,725	0	0
Extracurricular Activities	0	0	0
Customer Sales and Services	0	0	0
Miscellaneous	131,624	0	0
<i>Total Revenues</i>	<u>13,323,913</u>	<u>331,605</u>	<u>389,628</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	5,635,299	0	16,106
Special	1,751,482	0	0
Vocational	90,613	0	0
Student Intervention Services	1,087	0	0
Support Services:			
Pupils	515,348	0	0
Instructional Staff	418,258	0	0
Board of Education	50,594	0	0
Administration	937,392	0	0
Fiscal	294,979	8,193	9,096
Business	5,964	0	0
Operation and Maintenance of Plant	1,074,725	0	43,520
Pupil Transportation	769,540	0	87,679
Central	60,295	0	0
Operation of Non-Instructional Services:			
Food Service Operations	0	0	0
Extracurricular Activities	240,601	0	0
Capital Outlay	0	0	25,777
Debt Service:			
Principal Retirement	40,000	49,261	0
Interest and Fiscal Charges	5,590	19,261	0
Capital Appreciation Bond Accretion	0	231,739	0
<i>Total Expenditures</i>	<u>11,891,767</u>	<u>308,454</u>	<u>182,178</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,432,146</u>	<u>23,151</u>	<u>207,450</u>
<b>Other Financing Sources</b>			
Proceeds from Sale of Capital Assets	8,307	0	0
<i>Net Change in Fund Balances</i>	1,440,453	23,151	207,450
<i>Fund Balances at Beginning of Year</i>	<u>3,652,857</u>	<u>337,655</u>	<u>393,649</u>
<i>Fund Balances at End of Year</i>	<u><u>\$5,093,310</u></u>	<u><u>\$360,806</u></u>	<u><u>\$601,099</u></u>

See Accompanying Notes to the Basic Financial Statement:

Nonmajor Governmental Funds	Total Governmental Funds
\$50,698	\$3,826,351
1,113,522	10,270,933
6,633	70,872
0	914,494
0	1,725
102,902	102,902
207,182	207,182
3,770	135,394
<u>1,484,707</u>	<u>15,529,853</u>
65,297	5,716,702
523,046	2,274,528
5,227	95,840
0	1,087
4,959	520,307
17,117	435,375
0	50,594
79,006	1,016,398
1,476	313,744
0	5,964
80,541	1,198,786
0	857,219
0	60,295
563,459	563,459
132,296	372,897
0	25,777
0	89,261
0	24,851
0	231,739
<u>1,472,424</u>	<u>13,854,823</u>
<u>12,283</u>	<u>1,675,030</u>
<u>0</u>	<u>8,307</u>
12,283	1,683,337
<u>1,164,472</u>	<u>5,548,633</u>
<u>\$1,176,755</u>	<u>\$7,231,970</u>

See Accompanying Notes to the Basic Financial Statement:

**East Clinton Local School District**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2015

**Net Change in Fund Balances - Total Governmental Funds** \$1,683,337

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

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

Capital assets additions	260,915	
Depreciation expense	(796,183)	
Excess of depreciation over capital outlay expense		(535,268)

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

Proceeds from the sale of capital assets	(8,307)	
Loss on disposal of capital assets	(3,410)	
		(11,717)

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

Delinquent property taxes	(25,595)	
Intergovernmental	(37,467)	
Interest	2,665	
Total		(60,397)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 992,021

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in Statement of Activities. (695,352)

Accretion and amortization of bond premiums, the deferred loss on refunding debt, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.

Decrease in accrued interest payable	47	
Accretion on bonds	210,591	
Amortization of deferred amount on refunding	(15,478)	
Amortization of bond premium	17,142	
Total		212,302

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:  
 Principal retirement 89,261

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

Increase in compensated absences payable		(21,289)
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**Change in Net Position of Governmental Activities** \$1,652,898

See Accompanying Notes to the Basic Financial Statements

**East Clinton Local School District**  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive Variance with (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$2,537,000	\$3,064,954	\$3,064,954	\$0
Intergovernmental	9,318,425	8,991,715	9,033,295	41,580
Investment Earnings	38,000	40,554	40,554	0
Tuition and Fees	794,050	910,336	914,494	4,158
Rent	3,000	1,725	1,725	0
Miscellaneous	76,950	101,713	102,175	462
<i>Total Revenues</i>	<u>12,767,425</u>	<u>13,110,997</u>	<u>13,157,197</u>	<u>46,200</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,750,675	5,637,452	5,637,452	0
Special	1,743,770	1,755,937	1,755,937	0
Vocational	101,514	92,447	92,447	0
Student Intervention Services	1,200	1,087	1,087	0
Support Services:				
Pupils	527,055	525,915	525,915	0
Instructional Staff	444,857	418,189	418,189	0
Board of Education	64,558	64,376	64,376	0
Administration	949,355	934,292	934,292	0
Fiscal	295,495	302,103	302,103	0
Business	5,000	5,964	5,964	0
Operation and Maintenance of Plant	1,301,292	1,154,669	1,154,669	0
Pupil Transportation	805,641	775,815	775,815	0
Central	49,675	59,515	59,515	0
Operation of Non-Instructional Services	700	0	0	0
Extracurricular Activities	221,646	239,367	239,367	0
Debt Service:				
Principal	40,000	40,000	40,000	0
Interest	5,590	5,590	5,590	0
<i>Total Expenditures</i>	<u>12,308,023</u>	<u>12,012,718</u>	<u>12,012,718</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>459,402</u>	<u>1,098,279</u>	<u>1,144,479</u>	<u>46,200</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	2,400	0	0	0
Proceeds from Sale of Capital Assets	5,000	8,307	8,307	0
Refund of Prior Year Expenditures	0	29,449	29,449	0
Transfers Out	(5,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>2,400</u>	<u>37,756</u>	<u>37,756</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	461,802	1,136,035	1,182,235	46,200
<i>Fund Balance at Beginning of Year</i>	4,554,399	4,554,399	4,554,399	0
<i>Prior Year Encumbrances Appropriated</i>	<u>140,880</u>	<u>140,880</u>	<u>140,880</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$5,157,081</u>	<u>\$5,831,314</u>	<u>\$5,877,514</u>	<u>\$46,200</u>

See Accompanying Notes to the Basic Financial Statements

*East Clinton Local School District*  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

	<u>Private Purpose Trust Fund</u>	
	<u>Scholarship Fund</u>	<u>Agency Fund</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$168,226	<u><u>\$38,737</u></u>
<b>Liabilities</b>		
Undistributed Monies	<u>0</u>	<u><u>\$38,737</u></u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u><u>\$168,226</u></u>	

See Accompanying Notes to the Basic Financial Statements



***East Clinton Local School District***  
Statement of Changes in Fiduciary Net Position  
Private Purpose Trust Fund  
For the Year Ended June 30, 2015

	<u>Private Purpose Trust Fund</u>	<u>Scholarship Fund</u>
<b>Additions</b>		
Interest	\$417	
<b>Deductions</b>		<u>0</u>
<i>Change in Net Position</i>	417	
<i>Net Position at Beginning of Year</i>	<u>167,809</u>	
<i>Net Position at End of Year</i>	<u><u>\$168,226</u></u>	

See Accompanying Notes to the Basic Financial Statements

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Note 1 - Description of the School District and Reporting Entity**

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

The Board controls the School District’s four instructional support facilities, staffed by 75 non-certified employees, 96 teaching personnel, and 11 administrative employees providing education to 1,358 students.

**Reporting Entity**

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

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

The School District participates in six organizations: four jointly governed organizations, one insurance purchasing pool, and one public entity shared risk pool. These organizations are presented in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Miami Valley Educational Computer Association
- Great Oaks Institute of Technology and Career Development
- South Central Ohio League
- Southwestern Ohio Educational Purchasing Council

***East Clinton Local School District***  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation  
Group Rating Plan

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Medical Insurance and Benefit  
Plan Trust

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

The financial statements of the East Clinton Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**Basis of Presentation**

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

*Government-wide Financial Statements*

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

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

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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Fund Financial Statements

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

**Fund Accounting**

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

Governmental Funds:

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

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

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

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

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

***East Clinton Local School District***  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Fiduciary Funds**

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

**Measurement Focus**

**Government-wide Financial Statements**

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

**Fund Financial Statements**

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

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

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Basis of Accounting**

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

**Revenues - Exchange and Non-exchange Transactions**

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

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

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

**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 represent 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. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 11.

***East Clinton Local School District***  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables that will not be collected within the available period. For the School District, unavailable revenue includes grants and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. 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 measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**Cash and Cash Equivalents**

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

During fiscal year 2015, the School District's investments were limited to negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as negotiable certificates of deposit, are reported at cost. For investments in open-ended mutual funds, the fair value is determined by the fund's current share price.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest credited to the General Fund during fiscal year 2015 amounted to \$64,239, which includes \$16,258 assigned from other School District funds.

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

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Inventory**

On government-wide financial statements, purchased inventories are presented at the lower of cost or market, and donated commodities are presented at their entitlement value. Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and purchased and donated food held for resale.

**Capital Assets**

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-40 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	10 years

**Compensated Absences**

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

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



**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid. The remaining portion of the liability is not reported.

**Accrued Liabilities and Long-term Obligations**

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

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

**Pension**

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.

**Fund Balance**

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

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

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

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

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

*Unassigned* - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

### **Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

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

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Internal Activity**

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

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

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

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental type activities column of the statement of net position.

**Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the Certificate of Estimated Resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Although the legal level of budgetary control was established at the fund level of expenditures, the School District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The Certificate of Estimated Resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts represent estimates from the amended certificate in effect at the time the final appropriations were passed.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year, including all supplemental appropriations.

**Bond Premiums and Compounded Interest on Capital Appreciation Bonds**

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

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

**Estimates**

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

**Note 3 – Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2015, the School 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	\$17,944,535
Adjustments:	
Net Pension Liability	(18,763,762)
Deferred Outflow - Payments Subsequent To Measurement Date	<u>963,233</u>
Restated Net Position June 30, 2014	<u><u>\$144,006</u></u>

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

**Note 4 - Accountability**

At June 30, 2015, the following funds had deficit fund balances:

<u>Funds</u>	<u>Amounts</u>
Career Education	\$20
Title VI-B	46,494
Title I	45,924
Class Reduction	<u>9,508</u>
Total	\$101,946

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.
3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

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

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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Net Change in Fund Balance

GAAP Basis	\$1,440,453
Adjustments:	
Revenue Accruals	(119,175)
Unreported Cash/Interest:	
Beginning of Fiscal Year	11,093
End of Fiscal Year	(29,185)
Expenditure Accruals	20,621
Encumbrances	(141,572)
Budget Basis	<u>\$1,182,235</u>

**Note 6 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and the Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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4. Bonds and other obligations of the State of Ohio or Ohio Local Governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer’s investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Investments

As of June 30, 2015, the School District had the following investments, which are in an internal investment pool:

Investment Type	Fair Value	Investment Maturities (in Years)			Moody Rating	Percent of Total Investments
		Less Than 1	1-3	3-5		
Negotiable Certificates of Deposit	\$5,663,647	\$2,242,163	\$1,987,080	\$1,434,404	N/A	100.00%

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District has no investment policy that would further limit its investment choices. The negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. The School District has no investment policy that addresses credit risk.

***East Clinton Local School District***  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District places no limit on the amount it may invest in any one issuer.

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014 on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, 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; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Clinton and Highland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015 are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.



**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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Accrued property taxes receivable includes real property and public utility property taxes that 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 deferred inflows - property taxes.

The amounts available as an advance at June 30, 2015 were \$278,924 in the General Fund, \$24,791 in the Bond Retirement Fund, \$25,470 in the Permanent Improvement Fund, and \$4,124 in the Classroom Facilities Maintenance Fund. The amounts available as an advance at June 30, 2014 were \$165,342 in the General Fund, \$16,243 in the Bond Retirement Fund, \$19,471 in the Permanent Improvement Fund, and \$3,167 in the Classroom Facilities Maintenance Fund.

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

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$134,626,470	96.17%	\$174,934,560	96.94%
Public Utility	5,368,360	3.83%	5,528,890	3.06%
Total Assessed Value	<u>\$139,994,830</u>	<u>100.00%</u>	<u>\$180,463,450</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.00		\$34.80	

**Note 8 - Receivables**

Receivables at June 30, 2015 consisted of interest, intergovernmental grants, and property taxes. All receivables, except delinquent property taxes, are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current year guarantee of federal funds. All receivable amounts, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
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	Amounts
<u>Governmental Activities:</u>	
Agriculture Education Grant	\$6,250
Title VI-B Grant	61,159
Title I Grant	50,544
Title II-A Grant	26,095
Total Intergovernmental Receivables	\$144,048

**Note 9 - Capital Assets**

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

	Balance at 6/30/14	Additions	Deductions	Balance at 6/30/15
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$426,976	\$25,777	\$0	\$452,753
Capital Assets Being Depreciated:				
Buildings and Improvements	24,054,963	55,668	0	24,110,631
Furniture, Fixtures and Equipment	2,896,677	91,591	0	2,988,268
Vehicles	1,237,358	87,879	(117,165)	1,208,072
Total Capital Assets Being Depreciated	\$28,188,998	\$235,138	(\$117,165)	\$28,306,971
Less Accumulated Depreciation:				
Land Improvements	0			0
Buildings and Improvements	(11,792,790)	(623,522)	0	(12,416,312)
Furniture, Fixtures and Equipment	(2,203,291)	(81,251)	0	(2,284,542)
Vehicles	(760,110)	(91,410)	105,448	(746,072)
Books and Educational Media				0
Total Accumulated Depreciation	(14,756,191)	(796,183) *	105,448	(15,446,926)
Total Capital Assets Being Depreciated, Net	13,432,807	(561,045)	(11,717)	12,860,045
Governmental Activities Capital Assets, Net	\$13,859,783	(\$535,268)	(\$11,717)	\$13,312,798

\* Depreciation expense was charged to governmental functions as follows:

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
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Instruction:	
Regular	\$542,040
Special	296
Vocational	3,505
Support Services:	
Administration	9,758
Operation and Maintenance of Plant	104,783
Pupil Transportation	104,502
Operation of Non-Instructional Services	3,530
Extracurricular Activities	27,769
Total Depreciation Expense	<u><u>\$796,183</u></u>

**Note 10 - Risk Management**

**Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with Arthur J. Gallagher & Co. for property and fleet insurance and liability insurance.

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

**Workers' Compensation**

For fiscal year 2015, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience, and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
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**Medical and Dental Benefits**

For fiscal year 2015, the School District participated in the Southwestern Ohio Educational Purchasing Council and Medical Insurance and Benefit Plan Trust, a public entity shared risk pool (Note 16). The School District pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**Note 11 - Defined Benefit Pension Plans**

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

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.

**East Clinton Local School District**  
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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 intergovernmental payable on both the accrual and modified accrual bases of accounting.

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

Plan Description – School 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 School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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.

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Notes to the Basic Financial Statements  
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The School District's contractually required contribution to SERS was \$262,946 for fiscal year 2015.

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

Plan Description – School 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.

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
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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 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 School 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 School District's contractually required contribution to STRS was \$729,075 for fiscal year 2015. Of this amount \$113,557 is reported as an intergovernmental payable.

**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 School District's proportion of the net pension liability was based on the School 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	\$3,333,137	\$12,464,205	\$15,797,342
Proportion of the Net Pension Liability	0.06586000%	0.05124355%	
Pension Expense	\$218,147	\$477,205	\$695,352

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

**East Clinton Local School District**  
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	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$28,369	\$119,995	\$148,364
School District contributions subsequent to the measurement date	262,946	729,075	992,021
Total Deferred Outflows of Resources	\$291,315	\$849,070	\$1,140,385
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$540,978	\$2,305,925	\$2,846,903

\$992,021 reported as deferred outflows of resources related to pension resulting from School 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$128,081)	(\$546,483)	(\$674,564)
2017	(128,081)	(546,483)	(674,564)
2018	(128,081)	(546,483)	(674,564)
2019	(128,366)	(546,481)	(674,847)
Total	(\$512,609)	(\$2,185,930)	(\$2,698,539)

**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	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

**East Clinton Local School District**  
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**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 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 School 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%)
School District's proportionate share of the net pension liability	\$4,755,396	\$3,333,137	\$2,136,894

**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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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	1.00	3.00
Total	100.00 %	

**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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School 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 School 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$17,843,868	\$12,464,205	\$7,914,820

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
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**Note 12 - Postemployment Benefits**

**School Employees Retirement System**

Health Care Plan Description - The School 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 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 School District's surcharge obligation was \$34,799.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$51,456, \$52,883, and \$52,655, respectively. For fiscal year 2015, 85.74 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**State Teachers Retirement System of Ohio**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$45,462, and \$44,568, respectively. The full amount has been contributed for all three fiscal years.

**Note 13 - Employee Benefits**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees at the end of each fiscal year. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 50 days. An employee who has the maximum number of sick leave days accumulated at the time of retirement shall receive an additional three days severance.

**Insurance Benefits**

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

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**Retirement Incentive**

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

**Note 14 - Long-Term Obligations**

During the fiscal year 2015, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2014 have been restated as described in Note 3.

	Restated Amount Outstanding 6/30/2014	Additions	Deductions	Amount Outstanding 6/30/2015	Amounts Due in One Year
<b><u>Governmental Activities:</u></b>					
2003 School Improvement					
Refunding Bonds:					
Capital Appreciation Bonds 16.56%	\$89,423	\$0	\$48,261	\$41,162	\$41,162
Accretion on Capital					
Appreciation Bonds	434,691	21,148	231,739	224,100	224,100
Premium on Debt Issuance	20,920	0	10,460	10,460	0
2013 School Improvement					
Refunding Bonds:					
Serial Bonds 3.40%	567,000	0	1,000	566,000	1,000
Premium on Debt Issuance	21,716	0	6,682	15,034	0
Energy Conservation Bonds 2010	450,000	0	40,000	410,000	40,000
Total Bonds	<u>1,583,750</u>	<u>21,148</u>	<u>338,142</u>	<u>1,266,756</u>	<u>306,262</u>
<b><u>Other Long-Term Obligations:</u></b>					
Net Pension Liability					
SERS	3,916,483	0	583,346	3,333,137	0
STRS	14,847,279	0	2,383,074	12,464,205	0
Total Net Pension Liability	<u>18,763,762</u>	<u>0</u>	<u>2,966,420</u>	<u>15,797,342</u>	<u>0</u>
Compensated Absences	354,572	45,747	24,458	375,861	29,506
Total - Governmental Activities					
Long-term Obligations	<u>\$20,702,084</u>	<u>\$66,895</u>	<u>\$3,329,020</u>	<u>\$17,439,959</u>	<u>\$335,768</u>

**School Improvement Refunding Bonds 2003**

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

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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal year 2016. The maturity amount of the capital appreciation bonds will be \$280,000 in fiscal year 2016. For fiscal year 2015, the capital appreciation bonds were accreted \$21,148.

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

School Improvement Refunding Bonds 2013

On September 13, 2013, the School District issued \$570,000 in general obligation bonds for the purpose of current refunding the 2003 School Improvement Serial Bonds. The bonds were issued for a 4-year period with final maturity in December 2017. The bonds will be retired from the Bond Retirement Fund.

Energy Conservation Bonds 2010

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

Compensated absences and net pension liability will be paid from the General Fund. For additional information related to the net pension liability see Note 11.

The School District's voted legal debt margin was \$15,995,355 with an energy conservation debt margin of \$1,214,171 and an unvoted debt margin of \$180,463 at June 30, 2015.

Principal and interest requirements to retire bonds outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	<u>School Improvement Refunding Bonds</u>					Total
	Series 2013		Series 2003			
	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Bonds Principal	Capital Appreciation Bonds Interest		
2016	\$1,000	\$19,227	\$41,162	\$238,838	\$300,227	
2017	278,000	14,484	0	0	292,484	
2018	287,000	4,879	0	0	291,879	
Total	\$566,000	\$38,590	\$41,162	\$238,838	\$884,590	

**East Clinton Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

Energy Conservation Bonds 2010

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$40,000	\$5,070	\$45,070
2017	40,000	4,550	44,550
2018	40,000	4,030	44,030
2019	40,000	3,510	43,510
2020	40,000	2,990	42,990
2021-2025	210,000	7,020	217,020
Total	<u>\$410,000</u>	<u>\$27,170</u>	<u>\$437,170</u>

**Note 15 - Interfund Activity**

As of June 30, 2015, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Receivable</u>
	<u>General</u>
<u>Payable</u>	<u>\$5,216</u>
All Other Governmental	

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

**Note 16 - Jointly Governed Organizations, Insurance Purchasing Pool, and Public Entity Shared Risk Pool**

**Jointly Governed Organizations**

*Miami Valley Educational Computer Association*

The School District is a participant in the Miami Valley Educational Computer Association (MVECA), which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene, Highland, and Madison Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.



*East Clinton Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts, except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Board exercises total control over the operations of the consortium including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid MVECA \$45,292 for services provided during fiscal year 2015. Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

*Great Oaks Institute of Technology and Career Development*

The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possess its own budgetary and taxing authority. Great Oaks offers career technical programs to high school juniors and seniors of the School District. The Board exercises total control over the operations of Great Oaks Institute of Technology and Career Development including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. To obtain financial information, write to the Great Oaks Institute of Technology and Career Development, 3254 E. Kemper Road, Cincinnati, OH 45241-1581.

*South Central Ohio League*

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

*Southwestern Ohio Educational Purchasing Council*

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

***East Clinton Local School District***  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. The Board exercises total control over the operations of the council including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Payments to the SOEPC are made from the General Fund. During fiscal year 2015, the School District paid \$881 to SOEPC for membership dues. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**Insurance Purchasing Pool**

*Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan*

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

**Public Entity Shared Risk Pool**

*Southwestern Ohio Educational Purchasing Council Medical Insurance and Benefit Plan Trust*

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

**Note 17 - Set-Aside Calculations**

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

***East Clinton Local School District***  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

	Capital Acquisitions
Set-aside Balance as of June 30, 2014	\$0
Current Fiscal Year Set-aside Requirement	244,952
Current Fiscal Year Offsets	(244,952)
Qualifying Disbursements	0
<i>Totals</i>	\$0
<i>Set-aside Balance as of June 30, 2015</i>	\$0

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount below zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**Note 18 - Fund Balances**

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

**East Clinton Local School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

Fund Balances	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Endowment Fund	\$0	\$0	\$0	\$300,000	\$300,000
Inventory	0	0	0	3,051	3,051
<b><i>Total Nonspendable</i></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>303,051</b>	<b>303,051</b>
<b><i>Restricted for</i></b>					
Debt Payments	0	360,806	0	0	360,806
Food Service Operations	0	0	0	548,292	548,292
District Managed Activity	0	0	0	33,534	33,534
Capital Maintenance	0	0	0	318,127	318,127
Capital Improvements	0	0	601,099	0	601,099
Library Services	0	0	0	46,160	46,160
Fine Arts Activity	0	0	0	29,537	29,537
<b><i>Total Restricted</i></b>	<b>0</b>	<b>360,806</b>	<b>601,099</b>	<b>975,650</b>	<b>1,937,555</b>
<b><i>Committed to</i></b>					
Underground Storage	11,000	0	0	0	11,000
Termination Benefits	73,672	0	0	0	73,672
<b><i>Total Committed</i></b>	<b>84,672</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>84,672</b>
<b><i>Assigned to</i></b>					
Purchases on Order	125,622	0	0	0	125,622
<b><i>Unassigned</i></b>	<b>4,883,016</b>	<b>0</b>	<b>0</b>	<b>(101,946)</b>	<b>4,781,070</b>
<b><i>Total Fund Balances</i></b>	<b>\$5,093,310</b>	<b>\$360,806</b>	<b>\$601,099</b>	<b>\$1,176,755</b>	<b>\$7,231,970</b>

**Note 19 – Significant Commitments**

**Encumbrances**

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

General Fund	\$141,572
Permanent Improvement	74,587
Nonmajor Governmental Funds	72,839
<b>Total</b>	<b>\$288,998</b>

## **Note 20 - Contingencies**

### **Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

### **School Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, 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 school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result no liability for the School District to ODE.

### **Litigation**

The School District is not currently party to legal proceedings.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.065860%	0.065860%
School District's Proportionate Share of the Net Pension Liability	\$3,333,137	\$3,916,483
School District's Covered-Employee Payroll	\$2,125,344	\$2,072,786
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	156.83%	188.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.



*East Clinton Local Schools*

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

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.05124355%	0.05124355%
School District's Proportionate Share of the Net Pension Liability	\$12,464,205	\$14,847,279
School District's Covered-Employee Payroll	\$5,187,300	\$4,456,846
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	240.28%	333.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

***East Clinton Local Schools***  
Schedule of School District Contributions  
School Employees Retirement System of Ohio  
Last Eight Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$262,946	\$294,573	\$286,874	\$374,036
Contributions in Relation to the Contractually Required Contribution	<u>(262,946)</u>	<u>(294,573)</u>	<u>(286,874)</u>	<u>(374,036)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,995,036	\$2,125,344	\$2,072,786	\$2,780,937
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

(1) Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$328,415	\$293,543	\$194,013	\$175,818
<u>(328,415)</u>	<u>(293,543)</u>	<u>(194,013)</u>	<u>(175,818)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,612,693	\$2,167,966	\$1,971,672	\$1,790,404
12.57%	13.54%	9.84%	9.82%

***East Clinton Local Schools***  
Schedule of School District Contributions  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$729,075	\$674,349	\$579,390	\$616,531
Contributions in Relation to the Contractually Required Contribution	<u>(729,075)</u>	<u>(674,349)</u>	<u>(579,390)</u>	<u>(616,531)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$5,207,679	\$5,187,300	\$4,456,846	\$4,742,546
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$617,044	\$703,222	\$715,017	\$733,109	\$680,125	\$677,293
<u>(617,044)</u>	<u>(703,222)</u>	<u>(715,017)</u>	<u>(733,109)</u>	<u>(680,125)</u>	<u>(677,293)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,746,492	\$5,409,400	\$5,500,131	\$5,639,300	\$5,231,731	\$5,209,946
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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## **SUPPLEMENTARY INFORMATION**

EAST CLINTON 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>				
<b>Child Nutrition Grant Cluster:</b>				
(D)(E) School Breakfast Program	10.553	2015	\$ 105,107	\$ 105,107
(C)(E) National School Lunch Program-Food Donations	10.555	2015	45,154	45,154
(D)(E) National School Lunch Program	10.555	2015	305,599	305,599
<b>Total National School Lunch Program</b>			<u>350,753</u>	<u>350,753</u>
<b>Total U.S. Department of Agriculture and Child Nutrition Grant Cluster</b>			<u>455,860</u>	<u>455,860</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Title I Grant:</b>				
Title I Grants to Local Educational Agencies	84.010	2014	52,419	55,033
Title I Grants to Local Educational Agencies	84.010	2015	246,707	246,607
<b>Total Title I Grant</b>			<u>299,126</u>	<u>301,640</u>
<b>Special Education Grant Cluster:</b>				
(F) Special Education_Grants to States	84.027	2014	43,550	43,792
(F) Special Education_Grants to States	84.027	2015	257,488	256,231
<b>Total Special Education Grants to States</b>			<u>301,038</u>	<u>300,023</u>
(F) Special Education_Preschool Grants	84.173	2015	4,960	4,960
<b>Total Special Education Grant Cluster</b>			<u>305,998</u>	<u>304,983</u>
Improving Teacher Quality State Grants	84.367	2014	9,809	9,907
Improving Teacher Quality State Grants	84.367	2015	51,787	51,764
<b>Total Improving Teacher Quality State Grants</b>			<u>61,596</u>	<u>61,671</u>
<b>Total U.S. Department of Education</b>			<u>666,720</u>	<u>668,294</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,122,580</u>	<u>\$ 1,124,154</u>

- (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 the 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 the "Child Nutrition Grant Cluster" in determining major programs.
- (F) Included as part of the "Special Education Grant 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***

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

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 East Clinton 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 East Clinton Local School District's basic financial statements and have issued our report thereon dated November 30, 2015, wherein we noted as discussed in Note 3, the East Clinton 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 East Clinton 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 East Clinton 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 East Clinton 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  
East Clinton Local School District

***Compliance and Other Matters***

As part of reasonably assuring whether the East Clinton Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 East Clinton 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 East Clinton 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 30, 2015



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

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

To the Board of Education:

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

We have audited the East Clinton 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 East Clinton 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 East Clinton Local School District's major federal program.

***Management's Responsibility***

The East Clinton 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 East Clinton Local School District's compliance for the East Clinton 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 East Clinton 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 East Clinton Local School District's major program. However, our audit does not provide a legal determination of the East Clinton Local School District's compliance.

Board of Education  
East Clinton Local School District

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

In our opinion, the East Clinton 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 East Clinton 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 East Clinton 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 East Clinton 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 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 30, 2015

**EAST CLINTON 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 Programs' 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 Grant Cluster: Special Education Grants to States - CFDA #84.027, Special Education Preschool Grants - CFDA #84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

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

None

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# Dave Yost • Auditor of State

**EAST CLINTON LOCAL SCHOOL DISTRICT**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 18, 2016**