



**EASTERN LOCAL SCHOOL DISTRICT  
PIKE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**EASTERN LOCAL SCHOOL DISTRICT  
PIKE COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Eastern Local School District  
Pike County  
1170 Tile Mill Road  
Beaver, Ohio 45613

To the Board of Education:

We have audited the accompanying general purpose financial statements of Eastern Local School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Eastern Local School District, Pike County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2001, as described in Note 3 to the general purpose financial statements, the School District adopted Governmental Accounting Statement Nos. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2001 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole

**Jim Petro**  
Auditor of State

December 18, 2001

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**EASTERN LOCAL SCHOOL DISTRICT, OHIO**

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

**GOVERNMENTAL FUND TYPES**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$1,212,707	\$372,170	\$91,639	\$7,329,668
Receivables:				
Taxes	750,517	17,349	139,149	0
Intergovernmental	1,971	52,016	383	1,761,614
Accrued Interest	1,849	0	0	3,945
Interfund	42,202	0	0	0
Prepaid Items	2,398	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	5,053	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	347,358	0	0	0
Cash with Escrow Agents	0	0	0	263,038
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$2,364,055</b>	<b>\$441,535</b>	<b>\$231,171</b>	<b>\$9,358,265</b>



<i>PRORIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$19,098	\$25,735	\$0	\$0	\$9,051,017
0	0	0	0	0	907,015
0	0	0	0	0	1,815,984
0	0	0	0	0	5,794
0	0	0	0	0	42,202
0	0	0	0	0	2,398
5,359	0	0	0	0	5,359
217	0	0	0	0	5,270
0	0	0	0	0	347,358
0	0	0	0	0	263,038
9,128	0	0	18,973,754	0	18,982,882
0	0	0	0	101,686	101,686
0	0	0	0	1,464,228	1,464,228
<u>\$14,704</u>	<u>\$19,098</u>	<u>\$25,735</u>	<u>\$18,973,754</u>	<u>\$1,565,914</u>	<u>\$32,994,231</u>

(continued)

**EASTERN LOCAL SCHOOL DISTRICT, OHIO**

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

**GOVERNMENTAL FUND TYPES**

	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities, Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$158,357	\$20,294	\$0	\$0
Contracts Payable	0	0	0	676,402
Accrued Wages and Benefits	371,362	90,598	0	0
Compensated Absences Payable	22,929	0	0	0
Retainage Payable from Restricted Assets	0	0	0	263,038
Intergovernmental Payable	97,214	16,081	0	0
Interfund Payable	0	27,710	0	14,492
Deferred Revenue	700,931	68,090	129,485	1,761,614
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<i>Total Liabilities</i>	<u>1,350,793</u>	<u>222,773</u>	<u>129,485</u>	<u>2,715,546</u>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	51,714	21,637	0	4,139,683
Reserved for Inventory	5,053	0	0	0
Reserved for Property Taxes	49,586	1,205	9,664	0
Reserved for Textbooks/Instructional Materials	145,378	0	0	0
Reserved for Capital Improvements	107,318	0	0	0
Reserved for Budget Stabilization	29,239	0	0	0
Reserved for School Bus Purchases	65,423	0	0	0
Unreserved	559,551	195,920	92,022	2,503,036
<i>Total Fund Equity (Deficit) and Other Credits</i>	<u>1,013,262</u>	<u>218,762</u>	<u>101,686</u>	<u>6,642,719</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u><u>\$2,364,055</u></u>	<u><u>\$441,535</u></u>	<u><u>\$231,171</u></u>	<u><u>\$9,358,265</u></u>

See accompanying notes to the general purpose financial statements

<i>PRORIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$2,511	\$0	\$6,226	\$0	\$0	\$187,388
0	0	0	0	0	676,402
18,639	0	0	0	0	480,599
6,928	0	0	0	247,636	277,493
0	0	0	0	0	263,038
11,320	0	0	0	43,278	167,893
0	0	0	0	0	42,202
4,118	0	0	0	0	2,664,238
0	0	19,509	0	0	19,509
0	4,230	0	0	0	4,230
0	0	0	0	1,275,000	1,275,000
<u>43,516</u>	<u>4,230</u>	<u>25,735</u>	<u>0</u>	<u>1,565,914</u>	<u>6,057,992</u>
0	0	0	18,973,754	0	18,973,754
(28,812)	14,868	0	0	0	(13,944)
0	0	0	0	0	4,213,034
0	0	0	0	0	5,053
0	0	0	0	0	60,455
0	0	0	0	0	145,378
0	0	0	0	0	107,318
0	0	0	0	0	29,239
0	0	0	0	0	65,423
0	0	0	0	0	3,350,529
<u>(28,812)</u>	<u>14,868</u>	<u>0</u>	<u>18,973,754</u>	<u>0</u>	<u>26,936,239</u>
<u>\$14,704</u>	<u>\$19,098</u>	<u>\$25,735</u>	<u>\$18,973,754</u>	<u>\$1,565,914</u>	<u>\$32,994,231</u>

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**EASTERN LOCAL SCHOOL DISTRICT, OHIO**

Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2001

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b><u>Revenues:</u></b>					
Property Taxes	\$634,015	\$15,822	\$122,639	\$0	\$772,476
Intergovernmental	4,102,491	1,039,983	15,957	12,866,297	18,024,728
Interest	140,794	0	0	180,272	321,066
Tuition and Fees	8,738	226	0	0	8,964
Rent	730	0	0	0	730
Extracurricular Activities	0	40,606	0	0	40,606
Gifts and Donations	600	1,252	0	0	1,852
Miscellaneous	22,028	22	0	3,240	25,290
<b>Total Revenues</b>	<b>4,909,396</b>	<b>1,097,911</b>	<b>138,596</b>	<b>13,049,809</b>	<b>19,195,712</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	2,231,332	493,527	0	95,578	2,820,437
Special	315,132	281,305	0	0	596,437
Vocational	56,145	0	0	0	56,145
Other	15,603	0	0	0	15,603
Support Services:					
Pupils	164,560	61,473	0	0	226,033
Instructional Staff	223,418	138,086	0	0	361,504
Board of Education	33,650	0	0	0	33,650
Administration	636,032	15,928	549	0	652,509
Fiscal	162,301	2,115	4,015	0	168,431
Operation and Maintenance of Plant	502,843	0	0	0	502,843
Pupil Transportation	723,391	0	0	0	723,391
Central	3,192	0	0	0	3,192
Extracurricular Activities	59,093	31,580	0	0	90,673
Capital Outlay	0	0	0	11,648,662	11,648,662
Debt Service:					
Principal Retirement	0	0	40,000	0	40,000
Interest and Fiscal Charges	0	0	66,357	0	66,357
<b>Total Expenditures</b>	<b>5,126,692</b>	<b>1,024,014</b>	<b>110,921</b>	<b>11,744,240</b>	<b>18,005,867</b>
Excess of Revenues Over (Under) Expenditures	(217,296)	73,897	27,675	1,305,569	1,189,845
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Sale of Fixed Assets	2,100	0	0	0	2,100
Operating Transfers - Out	(26,124)	0	0	0	(26,124)
<b>Total Other Financing Sources (Uses)</b>	<b>(24,024)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(24,024)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(241,320)	73,897	27,675	1,305,569	1,165,821
Fund Balances at Beginning of Year	1,255,681	144,865	74,011	5,337,150	6,811,707
Decrease in Reserve for Inventory	(1,099)	0	0	0	(1,099)
<b>Fund Balances at End of Year</b>	<b>\$1,013,262</b>	<b>\$218,762</b>	<b>\$101,686</b>	<b>\$6,642,719</b>	<b>\$7,976,429</b>

See accompanying notes to the general purpose financial statements

**EASTERN LOCAL SCHOOL DISTRICT, OHIO**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2001

	<b>GENERAL FUND</b>			<b>SPECIAL REVENUE FUNDS</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$644,348	\$644,348	\$0	\$15,540	\$15,540	\$0
Intergovernmental	4,100,570	4,100,570	0	1,039,936	1,039,936	0
Interest	142,409	142,409	0	0	0	0
Tuition and Fees	8,738	8,738	0	226	226	0
Rent	730	730	0	0	0	0
Extracurricular Activities	0	0	0	40,606	40,606	0
Gifts and Donations	600	600	0	1,252	1,252	0
Miscellaneous	141	141	0	0	0	0
<b>Total Revenues</b>	<b>4,897,536</b>	<b>4,897,536</b>	<b>0</b>	<b>1,097,560</b>	<b>1,097,560</b>	<b>0</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	2,240,747	2,240,747	0	526,819	526,819	0
Special	305,319	305,319	0	273,815	273,815	0
Vocational	56,015	56,015	0	0	0	0
Other	17,603	17,603	0	0	0	0
Support Services:						
Pupils	180,159	180,159	0	44,750	44,750	0
Instructional Staff	224,844	224,844	0	136,838	136,838	0
Board of Education	23,545	23,545	0	0	0	0
Administration	655,848	655,848	0	17,765	17,765	0
Fiscal	158,358	158,358	0	2,115	2,115	0
Operation and Maintenance of Plant	528,473	528,473	0	0	0	0
Pupil Transportation	753,272	753,272	0	0	0	0
Central	4,257	4,257	0	0	0	0
Extracurricular Activities	59,104	59,104	0	36,772	36,772	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>5,207,544</b>	<b>5,207,544</b>	<b>0</b>	<b>1,038,874</b>	<b>1,038,874</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(310,008)	(310,008)	0	58,686	58,686	0
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Fixed Assets	2,100	2,100	0	0	0	0
Refund of Prior Year Expenditures	21,837	21,837	0	0	0	0
Refund of Prior Year Receipts	0	0	0	(47)	(47)	0
Advances - In	3,485	3,485	0	27,710	27,710	0
Advances - Out	(42,202)	(42,202)	0	(3,485)	(3,485)	0
Operating Transfers - In	209,573	209,573	0	0	0	0
Operating Transfers - Out	(235,697)	(235,697)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(40,904)</b>	<b>(40,904)</b>	<b>0</b>	<b>24,178</b>	<b>24,178</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(350,912)	(350,912)	0	82,864	82,864	0
Fund Balances at Beginning of Year	1,560,438	1,560,438	0	225,051	225,051	0
Prior Year Encumbrances Appropriated	150,581	150,581	0	21,611	21,611	0
Fund Balances at End of Year	<u>\$1,360,107</u>	<u>\$1,360,107</u>	<u>\$0</u>	<u>\$329,526</u>	<u>\$329,526</u>	<u>\$0</u>

See accompanying notes to the general purpose financial statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUND</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$124,630	\$124,630	\$0	\$0	\$0	\$0	\$784,518	\$784,518	0
15,574	15,574	0	12,866,297	12,866,297	0	18,022,377	18,022,377	0
0	0	0	182,152	182,152	0	324,561	324,561	0
0	0	0	0	0	0	8,964	8,964	0
0	0	0	0	0	0	730	730	0
0	0	0	0	0	0	40,606	40,606	0
0	0	0	0	0	0	1,852	1,852	0
0	0	0	2,300	2,300	0	2,441	2,441	0
<u>140,204</u>	<u>140,204</u>	<u>0</u>	<u>13,050,749</u>	<u>13,050,749</u>	<u>0</u>	<u>19,186,049</u>	<u>19,186,049</u>	<u>0</u>
0	0	0	85,381	85,381	0	2,852,947	2,852,947	0
0	0	0	0	0	0	579,134	579,134	0
0	0	0	0	0	0	56,015	56,015	0
0	0	0	0	0	0	17,603	17,603	0
0	0	0	0	0	0	224,909	224,909	0
0	0	0	0	0	0	361,682	361,682	0
0	0	0	0	0	0	23,545	23,545	0
549	549	0	0	0	0	674,162	674,162	0
4,015	4,015	0	0	0	0	164,488	164,488	0
0	0	0	0	0	0	528,473	528,473	0
0	0	0	0	0	0	753,272	753,272	0
0	0	0	0	0	0	4,257	4,257	0
0	0	0	0	0	0	95,876	95,876	0
0	0	0	16,677,257	16,677,257	0	16,677,257	16,677,257	0
40,000	40,000	0	0	0	0	40,000	40,000	0
66,357	66,357	0	0	0	0	66,357	66,357	0
<u>110,921</u>	<u>110,921</u>	<u>0</u>	<u>16,762,638</u>	<u>16,762,638</u>	<u>0</u>	<u>23,119,977</u>	<u>23,119,977</u>	<u>0</u>
29,283	29,283	0	(3,711,889)	(3,711,889)	0	(3,933,928)	(3,933,928)	0
0	0	0	0	0	0	2,100	2,100	0
0	0	0	940	940	0	22,777	22,777	0
0	0	0	(24,613)	(24,613)	0	(24,660)	(24,660)	0
0	0	0	14,492	14,492	0	45,687	45,687	0
0	0	0	0	0	0	(45,687)	(45,687)	0
0	0	0	0	0	0	209,573	209,573	0
0	0	0	0	0	0	(235,697)	(235,697)	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,181)</u>	<u>(9,181)</u>	<u>0</u>	<u>(25,907)</u>	<u>(25,907)</u>	<u>0</u>
29,283	29,283	0	(3,721,070)	(3,721,070)	0	(3,959,835)	(3,959,835)	0
62,356	62,356	0	2,218,772	2,218,772	0	4,066,617	4,066,617	0
0	0	0	4,015,881	4,015,881	0	4,188,073	4,188,073	0
<u>\$91,639</u>	<u>\$91,639</u>	<u>\$0</u>	<u>\$2,513,583</u>	<u>\$2,513,583</u>	<u>\$0</u>	<u>\$4,294,855</u>	<u>\$4,294,855</u>	<u>\$0</u>

**EASTERN LOCAL SCHOOL DISTRICT, OHIO**

Statement of Revenues, Expenses  
and Changes in Retained Earnings  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<b><u>Operating Revenues:</u></b>			
Sales	\$85,300	\$0	\$85,300
Charges for Services	0	47,840	47,840
<i>Total Operating Revenues</i>	<u>85,300</u>	<u>47,840</u>	<u>133,140</u>
<b><u>Operating Expenses:</u></b>			
Salaries	121,173	0	121,173
Fringe Benefits	49,488	0	49,488
Purchased Services	361	3,461	3,822
Materials and Supplies	18,974	0	18,974
Cost of Sales	131,280	0	131,280
Depreciation	3,117	0	3,117
Claims	0	47,202	47,202
Other Operating Expenses	596	0	596
<i>Total Operating Expenses</i>	<u>324,989</u>	<u>50,663</u>	<u>375,652</u>
Operating Loss	<u>(239,689)</u>	<u>(2,823)</u>	<u>(242,512)</u>
<b><u>Non-Operating Revenues:</u></b>			
Federal Donated Commodities	25,490	0	25,490
Federal and State Subsidies	159,945	0	159,945
<i>Total Non-Operating Revenues</i>	<u>185,435</u>	<u>0</u>	<u>185,435</u>
Net Loss Before Operating Transfers	(54,254)	(2,823)	(57,077)
Operating Transfers - In	26,124	0	26,124
Net Loss	(28,130)	(2,823)	(30,953)
Retained Earnings (Deficit) at Beginning of Year	(682)	17,691	17,009
Retained Earnings (Deficit) at End of Year	<u>(\$28,812)</u>	<u>\$14,868</u>	<u>(\$13,944)</u>

See accompanying notes to the general purpose financial statements



**EASTERN LOCAL SCHOOL DISTRICT, OHIO**  
Statement of Revenues, Expenses and Changes in  
Fund Equity - Budget and Actual (Budget Basis)  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2001

	<b>ENTERPRISE FUND</b>			<b>INTERNAL SERVICE FUND</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Sales	\$84,495	\$84,495	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	47,840	47,840	0
Refund of Prior Year Expenses	805	805	0	0	0	0
Federal and State Subsidies	177,747	177,747	0	0	0	0
<i>Total Revenues</i>	<u>263,047</u>	<u>263,047</u>	<u>0</u>	<u>47,840</u>	<u>47,840</u>	<u>0</u>
<b><u>Expenses:</u></b>						
Salaries	121,231	121,231	0	0	0	0
Fringe Benefits	48,237	48,237	0	0	0	0
Purchased Services	465	465	0	50,486	50,486	0
Materials and Supplies	129,970	129,970	0	0	0	0
Capital Outlay	71	71	0	0	0	0
Other	596	596	0	0	0	0
<i>Total Expenses</i>	<u>300,570</u>	<u>300,570</u>	<u>0</u>	<u>50,486</u>	<u>50,486</u>	<u>0</u>
Excess of Revenues Under Expenses	(37,523)	(37,523)	0	(2,646)	(2,646)	0
Operating Transfers - In	<u>26,124</u>	<u>26,124</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Under Expenses and Transfers	(11,399)	(11,399)	0	(2,646)	(2,646)	0
Fund Equity at Beginning of Year	1,444	1,444	0	21,744	21,744	0
Prior Year Encumbrances Appropriated	<u>2,850</u>	<u>2,850</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Equity (Deficit) at End of Year	<u>(\$7,105)</u>	<u>(\$7,105)</u>	<u>\$0</u>	<u>\$19,098</u>	<u>\$19,098</u>	<u>\$0</u>

See accompanying notes to the general purpose financial statements

**EASTERN LOCAL SCHOOL DISTRICT, OHIO**

Statement of Cash Flows

All Proprietary Fund Types

For the Fiscal Year Ended June 30, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$84,495	\$0	\$84,495
Cash Received from Quasi-External Transactions with Other Funds	0	47,840	47,840
Cash Received from Other Operating Sources	805	0	805
Cash Payments to Suppliers for Goods and Services	(123,401)	(3,461)	(126,862)
Cash Payments to Employees for Services	(121,231)	0	(121,231)
Cash Payments for Employee Benefits	(48,237)	0	(48,237)
Cash Payments for Claims	0	(47,025)	(47,025)
Cash Payments for Other Operating Expenses	(596)	0	(596)
Net Cash Used for Operating Activities	(208,165)	(2,646)	(210,811)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Operating Grants Received	177,747	0	177,747
Operating Transfers - In	26,124	0	26,124
Net Cash Provided by Noncapital Financing Activities	203,871	0	203,871
Net Decrease in Cash and Cash Equivalents	(4,294)	(2,646)	(6,940)
Cash and Cash Equivalents at Beginning of Year	4,294	21,744	26,038
Cash and Cash Equivalents at End of Year	\$0	\$19,098	\$19,098
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>			
Operating Loss	(\$239,689)	(\$2,823)	(\$242,512)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>			
Depreciation	3,117	0	3,117
Donated Commodities Used During Year	25,490	0	25,490
Changes in Assets and Liabilities:			
Decrease in Materials and Supplies Inventory	32	0	32
Increase in Inventory Held for Resale	(608)	0	(608)
Increase in Accounts Payable	2,299	0	2,299
Decrease in Accrued Wages and Benefits	(455)	0	(455)
Increase in Claims Payable	0	177	177
Increase in Intergovernmental Payable	717	0	717
Increase in Compensated Absences Payable	932	0	932
Total Adjustments	31,524	177	31,701
Net Cash Used for Operating Activities	(\$208,165)	(\$2,646)	(\$210,811)

See accompanying notes to the general purpose financial statements

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Eastern 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/or federal guidelines.

The School District was established in 1960 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 107 square miles. It is located in Pike County, and includes all of the Villages of Beaver and Stockdale and portions of Marion, Union, and East Jackson Townships in Pike County, Madison Township in Scioto County and Liberty Township in Jackson County. It is staffed by 47 non-certificated employees, 75 certificated full-time teaching personnel, and 6 administrators who provide services to 934 students and other community members. The School District currently operates three instructional buildings.

*Reporting Entity:*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- ▶ Village of Beaver
- ▶ Parent Teacher Organization
- ▶ Ross - Pike County Educational Service Center

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**  
(continued)

The School District participates in three organizations, two of which are defined as jointly governed organizations, and one as a group purchasing pool. These organizations are the South Central Ohio Computer Association, the Pike County Joint Vocational School, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Eastern Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The following are the School District's governmental fund types:

*General Fund* - The General Fund is the operating fund of the School District and is used to account for 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.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

*Enterprise Fund* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Internal Service Fund* - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

*Fiduciary Fund Type:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 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, interest and grants.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Pike County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001. At year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.



Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. Prior to year-end, the School District passed a supplemental appropriation that reflected actual expenditures for the fiscal year.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

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

During fiscal year 2001, investments were limited to certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$140,794, which includes \$52,750, assigned from other School District funds.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and the creation of a reserve for budget stabilization. See Note 19 for additional information regarding set-asides. Retainage held until the completion of major construction projects is held in separate bank accounts and presented as “Restricted Assets: Cash with Escrow Agents” in the capital projects funds.

**F. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, non-food supplies, purchased food, and school supplies held for resale and are expensed when used.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are depreciated using the straight-line method over an estimated useful life of 20 to 25 years for buildings and improvements, 10 to 15 years for vehicles and furniture, fixtures and equipment, and 25 to 50 years for the sewage plant. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of 15 years.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**J. 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. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 20 years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, textbooks and instructional materials, capital improvements, budget stabilization, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**N. Estimates**

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

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2001, the School District has implemented *GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions"*, and *GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues,"*. These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. The implementation of these pronouncements caused no change to the prior year's ending fund balance/retained earnings.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability - Fund Equity Deficits**

At June 30, 2001, the Chapter II and Goals 2000 Program Special Revenue Funds, the School Net Technology Equity Capital Projects Fund, and the Food Service Enterprise Fund had deficit fund balances/retained earnings of \$3,506, \$3,087, \$14,167 and \$35,205, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

**Excess of Appropriations Over Estimated Resources**

<u>Fund Type / Name</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue			
Chapter II	\$5,849	\$8,289	(\$2,440)
Enterprise			
Food Service	290,615	297,720	(7,105)

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis); and
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$241,320)	\$73,897	\$27,675	\$1,305,569
Revenue Accruals	9,977	(351)	1,608	1,880
Expenditure Accruals	119,106	27,737	0	36,112
Advances	(38,717)	24,225	0	14,492
Encumbrances	(199,958)	(42,644)	0	(5,079,123)
Budget Basis	(\$350,912)	\$82,864	\$29,283	(\$3,721,070)

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

Net Loss / Excess of Revenues Under Expenses and Transfers  
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$28,130)	(\$2,823)
Revenue Accruals	17,802	0
Expense Accruals	2,917	177
Depreciation Expense	3,117	0
Encumbrances	(7,105)	0
Budget Basis	(\$11,399)	(\$2,646)

**NOTE 6 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.



Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

The following information classifies deposits and investments by categories of risk as defined in *GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements"*.

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$9,661,413 and the bank balance was \$9,718,025. Of the bank balance, \$200,000 was covered by federal deposit insurance and \$9,518,025 was insured and collateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

At June 30, 2001, the School District had no outstanding investments.

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District 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, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
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**NOTE 7 - PROPERTY TAXES** (continued)

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$21,834,110	78.58%	\$25,594,940	78.19%
Public Utility	4,949,980	17.81%	6,035,500	18.44%
Tangible Personal Property	1,002,061	3.61%	1,102,860	3.37%
Total Assessed Value	<u>\$27,786,151</u>	<u>100.00%</u>	<u>\$32,733,300</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.51		\$33.51	

The School District receives property taxes from Pike County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2001, was \$49,586 in the General Fund, \$1,205 in the Classroom Facilities Maintenance Special Revenue Fund, and \$9,664 in the Debt Service Fund.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	\$1,971
Special Revenue Funds:	
Classroom Facilities Maintenance	48
District Managed Activities	22
Dwight D. Eisenhower	714
Title VI-B	9,434
Chapter I	6,625
Chapter II	4,062
Drug Free Grant	7,060
Goals 2000 Performance Incentive	22,000
Goals 2000 Program	2,051
Total Special Revenue Funds	52,016
Debt Service Fund	383
Classroom Facilities Building Capital Projects Fund	1,761,614
Total All Funds	\$1,815,984

The School District was awarded a grant in the amount of \$22,326,111 from the Ohio School Facilities Commission for the construction of a new K-12 facility. The grant money is advanced to the School District throughout the construction period and is recorded as revenue as it becomes available in the Classroom Facilities Building Capital Projects Fund.

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$128,880
Less Accumulated Depreciation	(119,752)
Net Fixed Assets	\$9,128

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 9 - FIXED ASSETS** (continued)

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$558,318	\$0	\$0	\$558,318
Buildings and Improvements	1,822,130	0	0	1,822,130
Furniture, Fixtures and Equipment	1,894,720	156,309	0	2,051,029
Vehicles	1,063,072	55,060	0	1,118,132
Sewage Plant	13,131	0	0	13,131
Construction in Progress	<u>6,388,494</u>	<u>10,507,653</u>	<u>0</u>	<u>16,896,147</u>
Totals	<u>\$11,739,865</u>	<u>\$10,719,022</u>	<u>\$0</u>	22,458,887
Less Accumulated Depreciation				<u>(3,485,133)</u>
Total General Fixed Assets				<u>\$18,973,754</u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Lorbach Insurance Company and Nationwide Mutual Insurance Company for property and fleet insurance, professional liability insurance and professional liability insurance coverage. Coverages provided are as follows:

Builder's Risk Insurance	\$17,157,232
Building and Contents-80% Co-insurance (\$1,000 deductible)	5,526,956
Boiler and Machinery-80% Co-insurance (\$1,000 deductible)	4,215,724
Crime Insurance	4,000
Automobile Liability	300,000
Uninsured Motorists	300,000
Professional Liability (aggregate limit)	5,000,000
Public Official Bonds: Treasurer / Superintendent / Board President (each)	20,000
Assistant Treasurer	3,000
Blanket bond	5,000

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

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 10 - RISK MANAGEMENT** (continued)

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Dental insurance is offered to employees through a self-insurance internal service fund. Coresource is the School District's third party administrator who informs the School District of claim payments needed each week. Coresource provides an actuarial study each year and advises the School District as to any change needed in premium payments to the internal service fund. The claims liability of \$4,230 reported in the internal service fund at June 30, 2001 is based on an estimate provided by Coresource and the requirements of *GASB Statement No. 30 "Risk Financing Omnibus"*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2000	\$3,432	\$51,629	\$51,008	\$4,053
2001	4,053	47,202	47,025	4,230

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$52,572, \$42,097, and \$59,584, respectively; 28.98 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$37,336 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$342,894, \$170,149, and \$145,585, respectively; 73.01 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$92,546 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$162,423 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.30 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$131,055.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators, with the exception of the Superintendent and Treasurer, 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 215 days for all personnel. Upon retirement and after being employed in the District for twenty years, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days.

**B. Life Insurance and Health Care Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource. The School District has elected to provide employee medical/surgical benefits, vision and prescription drug benefits through Anthem Blue Cross/Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**C. Deferred Compensation**

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

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Obligations Outstanding 6/30/00	Additions	Deductions	Obligations Outstanding 6/30/01
1998 School Improvement General Obligation Bonds - 4.0% - 5.0%	\$1,315,000	\$0	\$40,000	\$1,275,000
Pension Obligation	42,180	43,278	42,180	43,278
Compensated Absences	235,651	11,985	0	247,636
Total General Long-Term Obligations	<u>\$1,592,831</u>	<u>\$55,263</u>	<u>\$82,180</u>	<u>\$1,565,914</u>



Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

Pension obligations and compensated absences will be paid from the fund from which the employees are paid.

*1998 School Improvement General Obligation Bonds* - On June 4, 1998, the School District issued \$1,423,000 in voted general obligation bonds for the purpose of building new school building facilities. The bonds were issued for a twenty-three year period with final maturity during fiscal year 2021. The bonds will be retired from the debt service fund.

Principal and interest requirements to retire general obligation debt at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$40,000	\$64,660	\$104,660
2003	40,000	62,910	102,910
2004	40,000	61,140	101,140
2005	45,000	59,226	104,226
2006	45,000	57,156	102,156
2007-2011	270,000	249,220	519,220
2012-2016	345,000	163,275	508,275
2017-2021	450,000	58,750	508,750
Total	<u>\$1,275,000</u>	<u>\$776,337</u>	<u>\$2,051,337</u>

The School District's overall legal debt margin was \$1,772,683 with an unvoted debt margin of \$32,733 at June 30, 2001.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 15 - CONTRACTUAL COMMITMENTS**

As of June 30, 2001, the School District had contractual purchase commitments for the construction of a new K-12 facility. The project is financed by bond proceeds and a school facilities grant in the amount of \$22,326,111 from the State of Ohio. Outstanding contracts are as follows:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/01
Stockmeister Enterprises	\$8,863,335	\$6,576,212	\$2,287,123
Mechanical Construction (HVAC)	2,870,404	2,633,851	236,553
Mechanical Construction (Plumbing)	775,564	742,894	32,670
Central Fire	280,454	252,376	28,078
West End Electric	1,978,071	1,523,702	454,369
Wasserstrom Company	290,612	940	289,672
Gilbane	1,048,500	852,061	196,439
Tanner, Stone and Co.	1,394,434	1,184,399	210,035
Total	<u>\$17,501,374</u>	<u>\$13,766,435</u>	<u>\$3,734,939</u>

**NOTE 16 - INTERFUND ACTIVITY**

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivable	Payable
General Fund	\$42,202	\$0
Special Revenue Funds:		
Child Day Care Grant	0	10,980
Goals 2000-Performance Incentive	0	9,550
Goals 2000 Program	0	3,674
Chapter II	0	3,506
Total Special Revenue Funds	<u>0</u>	<u>27,710</u>
Capital Projects Funds:		
SchoolNet	0	325
Technology Equity	0	14,167
Total Capital Projects Funds	<u>0</u>	<u>14,492</u>
Total All Funds	<u>\$42,202</u>	<u>\$42,202</u>

Eastern Local School District  
Notes to the General Purpose Financial Statements  
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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus the fiscal agent. The School District paid SCOCA \$3,964 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*The Pike County Joint Vocational School* - The Pike County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of the Pike County Board of Education and two representatives from the Waverly City Schools Board of Education, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**NOTE 18 - GROUP PURCHASING POOL**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

For fiscal year ended June 30, 2001, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (continued)

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and instructional materials, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Reserve Balance as of June 30, 2000	\$86,434	\$57,027	\$63,135	\$206,596
Current year set-aside requirement	104,698	104,698	0	209,396
Reduction based on revised Legislation	0	0	(33,896)	(33,896)
Current year offsets	(10,797)	(17,482)	0	(28,279)
Qualifying disbursements	(34,957)	(36,925)	0	(71,882)
Set-aside Reserve Balance as of June 30, 2001	<u>\$145,378</u>	<u>\$107,318</u>	<u>\$29,239</u>	<u>\$281,935</u>

**NOTE 20 - CONTINGENCIES**

**A. 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**B. Litigation**

The School District is party to legal proceedings. A case outstanding at June 30, 2001 involved a bus driver who filed a claim in the Pike County Common Pleas Court because he did not receive a job that he bid on. The School District is of the opinion that ultimate disposition of this and any other claims will not have a material effect, if any, on the financial condition of the School District.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 21 - SUBSEQUENT EVENTS**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the December 18, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts.

Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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**EASTERN LOCAL SCHOOL DISTRICT  
PIKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>U.S. Department of Agriculture</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$	\$25,490	\$	\$23,510
School Breakfast Program	05-PU 00/01	10.553	42,138		42,138	
National School Lunch Program	LL-P1/P4 00/01	10.555	125,022		125,022	
Total U.S. Department of Agriculture- Child Nutrition Cluster			167,160	25,490	167,160	23,510
<b>U.S. Department of Education</b>						
<i>Passed through Ohio Department of Education:</i>						
Special Education Grants to States (Title VI-B)	6B-SF 99/00 P	84.027	71,013		57,638	
Grants To Local Educational Agencies (ESEA Title I)	C1-S1 01	84.010	378,556		370,293	
Class Size Reduction	CR-S1 00/01	84.340	51,451		76,353	
Eisenhower Professional Development State Grant	MS-S1 00/01	84.281	11,517		7,928	
Innovative Educational Program Strategy Grant (Title VI)	C2-S1 01	84.298	892		5,849	
Drug Free Schools Grant	DR-S1 01	84.186	3,026		600	
Goals 2000	G2-S1/S2 00/01	84.276	36,388		32,303	
Total U.S. Department of Education			552,843		550,964	
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$720,003</b>	<b>\$25,490</b>	<b>\$718,124</b>	<b>\$23,510</b>

*The accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.*

**EASTERN LOCAL SCHOOL DISTRICT  
PIKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS  
RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School Districts's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2000 the School District had no significant food commodities in inventory.





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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Eastern Local School District  
Pike County  
1170 Tile Mill Road  
Beaver, Ohio 45613

To the Board of Education:

We have audited the general purpose financial statements of Eastern Local School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 18, 2001, wherein we noted the School District adopted Government Accounting Statement Nos. 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 18, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 18, 2001.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 18, 2001



STATE OF OHIO  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Eastern Local School District  
Pike County  
1170 Tile Mill Road  
Beaver, Ohio 45613

To the Board of Education:

**Compliance**

We have audited the compliance of Eastern Local School District, Pike County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

**Internal Control Over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 18, 2001

**EASTERN LOCAL SCHOOL DISTRICT  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I - CFDA# 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

<p><b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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The audit of Eastern Local School District, Pike County, for the year ended June 30, 2001 contained no findings that are required to be reported in accordance with GAGAS.

<p><b>3. FINDINGS FOR FEDERAL AWARDS</b></p>
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The audit of Eastern Local School District, Pike County, for the year ended June 30, 2001 contained no findings for federal awards.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**EASTERN LOCAL SCHOOL DISTRICT**

**PIKE 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  
JANUARY 22, 2002**