

***EASTWOOD LOCAL SCHOOL DISTRICT***

***WOOD COUNTY***

**Audit Report**

**For the Year Ended June 30, 2011**

***CHARLES E. HARRIS & ASSOCIATES, INC.***  
Certified Public Accountants and Government Consultants





# Dave Yost • Auditor of State

Board of Education  
Eastwood Local School District  
4800 Sugar Ridge Road  
Pemberville, Ohio 43450

We have reviewed the *Report of Independent Accountants* of the Eastwood Local School District, Wood County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 25, 2012

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**EASTWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2011**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Eastwood Local School District  
Wood County  
4800 Sugar Ridge Road  
Pemberville, OH 43450

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eastwood Local School District, Wood County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Eastwood Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Eastwood Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastwood Local School District, Wood County, Ohio, as of June 30, 2011, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the District implemented Governmental Accounting Standard Board Statement No.54, "Fund Balance Reporting and Governmental Fund Type Definitions." Also, as described in Note 9, the District changed the useful lives of various capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eastwood Local School District's financial statements as a whole. The accompanying schedule of federal awards expenditures is presented for purpose of 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 financial statements. The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



**Charles E. Harris & Associates, Inc.**  
February 17, 2012



**Eastwood Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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The discussion and analysis of Eastwood Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

- General revenues accounted for \$14,914,697 in revenue or 83.7 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,897,759 or 16.3 percent of total governmental revenues of \$17,812,456.
- The School District had \$15,963,716 in expenses related to governmental activities; only \$2,897,759 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and school foundation) of \$14,914,697 were adequate to provide for these programs, resulting in an increase in net assets.
- The only major fund, the general fund had \$14,929,127 in revenues and \$13,507,921 in expenditures. The general fund's fund balance increased \$1,402,966 from \$5,979,816 to \$7,382,782.

**Using this Annual Financial Report**

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

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund is the most significant fund.

**Reporting the School District as a Whole**

***Government-wide Financial Statements.*** The government-wide financial statements are designed to provide reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

**Eastwood Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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*Statement of Net Assets and the Statement of Activities* While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2011?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District's activities are considered to be all Governmental Activities:

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

The government-wide financial statements can be found on pages 14-15 of this report.

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

***Fund Financial Statements.*** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The School District, like the state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

***Governmental Funds*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Eastwood Local School District**  
*Management's Discussion and Analysis*  
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The School District maintains twenty-eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be the major fund. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 16-20 of this report.

*Proprietary Funds* The School District maintains one type of proprietary fund, the internal service fund. The internal service fund is an accounting device used to accumulate and allocate costs internally to the School District's various functions. The School District uses its internal service fund to account for its field trips and other various purposes. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 21-23 of this report.

*Fiduciary Funds* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds.

The fiduciary fund financial statements can be found on page 24 of this report.

***Notes to the Financial Statements.*** The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-53 of this report.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. A comparative analysis is presented below. Table 1 provides a summary of the School District's net assets for 2011 and 2010:

**Eastwood Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

Table 1  
 Net Assets  
 Governmental Activities

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Current and other assets	\$ 14,837,239	\$ 14,708,170
Capital assets	<u>4,993,173</u>	<u>4,905,595</u>
Total assets	<u>19,830,412</u>	<u>19,613,765</u>
<b>Liabilities:</b>		
Current liabilities	6,021,293	7,338,927
Long-term liabilities	<u>4,568,111</u>	<u>4,882,570</u>
Total liabilities	<u>10,589,404</u>	<u>12,221,497</u>
<b>Net assets:</b>		
Invested in capital assets	1,680,988	1,264,226
Restricted	1,374,707	1,404,565
Unrestricted	<u>6,185,313</u>	<u>4,723,477</u>
Total net assets	<u>\$ 9,241,008</u>	<u>\$ 7,392,268</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the School District's assets exceeded liabilities by \$9,241,008.

The bulk of the School District's net assets, \$6,185,313 reflect its unrestricted net assets. The School District uses these unrestricted net assets to meet ongoing obligations to the residents and creditors. Invested in capital assets (e.g., land, building and improvements, furniture, equipment and fixtures, and vehicles) reflect \$1,680,988. The School District uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

An additional portion of the School District's net assets, \$1,374,707 or 14.7 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets; \$280,099 is restricted for debt service payments, \$61,913 is restricted for extracurricular, \$964,340 is restricted for other purposes and \$68,355 is restricted for capital projects. At the end of the current fiscal year, the School District is able to report positive balances in all categories of net assets.

Table 2 shows change in net assets for fiscal years 2011 and 2010.

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Table 2  
 Governmental Activities

	2011	2010
<b>Revenue:</b>		
Program revenues:		
Charges for services and sales	\$ 1,332,442	\$ 1,356,189
Operating grants and contributions	1,565,317	1,452,021
General revenues:		
Property taxes	5,371,747	5,039,015
Income taxes	1,721,819	1,731,990
Grants and entitlements	7,208,622	7,392,334
Payment in lieu of taxes	480,000	480,000
Investment earnings	125,899	206,231
Miscellaneous	6,610	72,046
<b>Total revenues</b>	<b>17,812,456</b>	<b>17,729,826</b>
 <b>Expenses:</b>		
Instruction:		
Regular	7,260,792	7,278,582
Special	1,405,694	1,927,161
Vocational	100,992	163,200
Adult continuing	7	63
Support services:		
Pupils	394,746	513,845
Instructional staff	499,989	525,161
Board of education	71,408	58,356
Administration	1,213,436	1,319,127
Fiscal	754,970	519,643
Business	7	63
Operation and maintenance of plant	1,641,692	1,715,906
Pupil transportation	1,024,209	1,121,318
Central	185	1,618
Operation of non-instructional services	741,485	703,960
Extracurricular activities	703,959	677,507
Interest and fiscal charges	150,145	199,838
<b>Total expenses</b>	<b>15,963,716</b>	<b>16,725,348</b>
Changes in net assets	1,848,740	1,004,478
Beginning net assets	7,392,268	6,387,790
Ending net assets	<b>\$ 9,241,008</b>	<b>\$ 7,392,268</b>

**Eastwood Local School District**  
*Management's Discussion and Analysis*  
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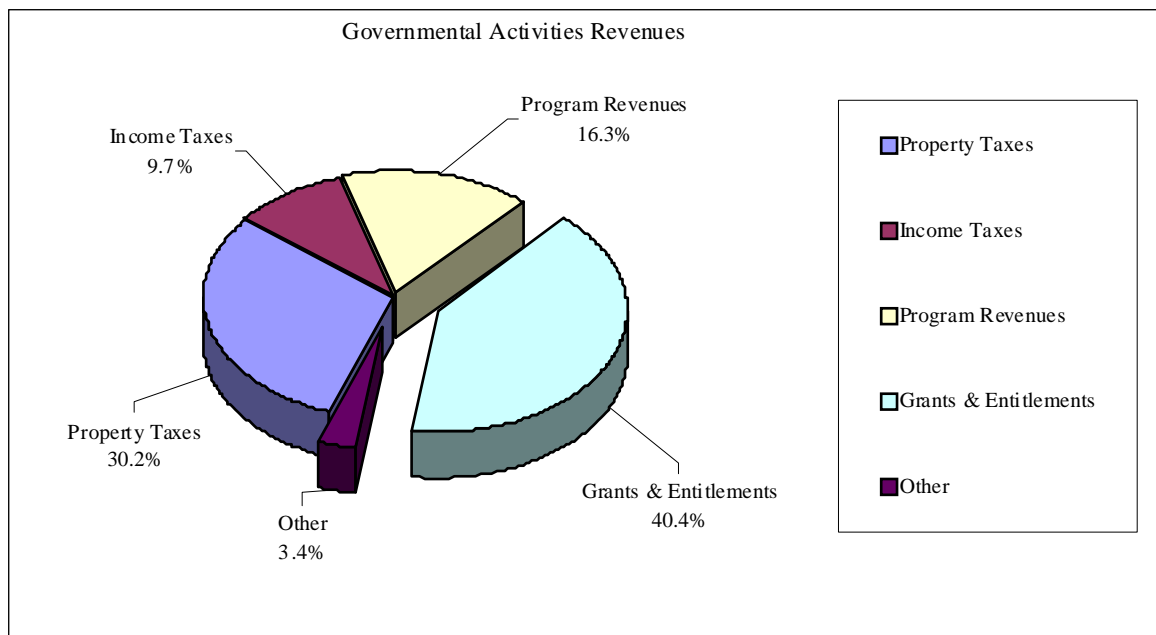
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Governmental Activities - The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 30.2 percent of revenues for governmental activities for the School District in fiscal year 2011. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

The School District has an income tax which is also a critical revenue used to support operations. For 2011, this revenue amounted to \$1,721,819 or 9.7 percent of total revenues.

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

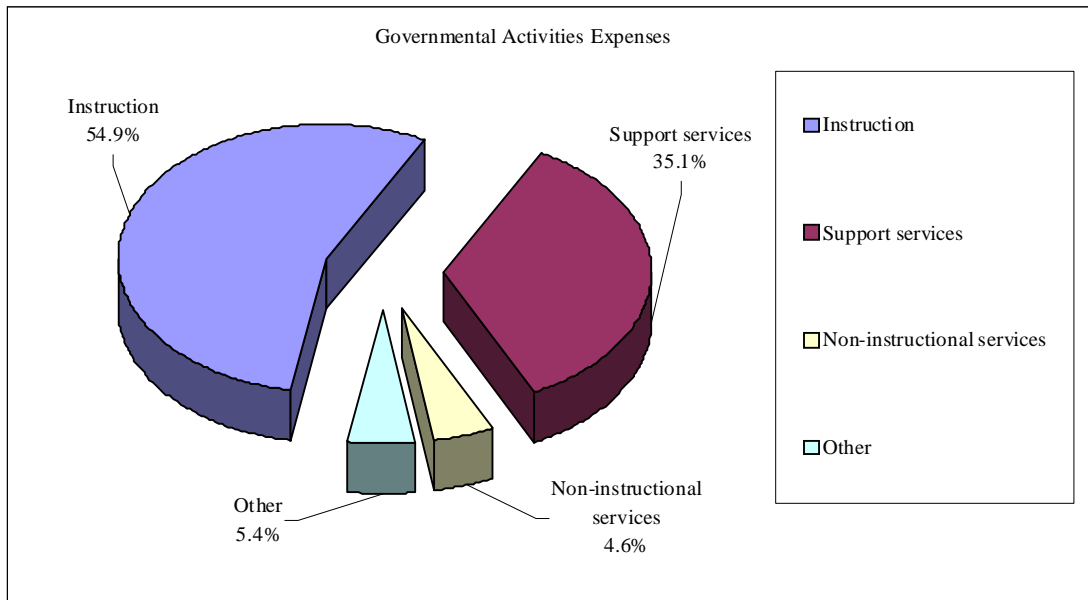
Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service.



Instruction comprises 54.9 percent of governmental program expenses. Additional supporting services for pupils, staff, administration and business operations encompassed an additional 35.1 percent. The remaining 10.0 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

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*Management's Discussion and Analysis*  
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In general, program expenses were comparable to the prior year. Program expenses for 2011 decreased 4.6 percent from 2010. These decreases were not attributed to any specific program but an overall decrease in expenses.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2011 and 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Eastwood Local School District**  
*Management's Discussion and Analysis*  
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Table 3  
 Total and Net Cost of Program Services  
 Governmental Activities

	2011		2010		Net Change	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Program Expenses:</b>						
Instruction:						
Regular	\$ 7,260,792	\$ (6,251,372)	\$ 7,278,582	\$ (6,225,285)	\$ (17,790)	\$ (26,087)
Special	1,405,694	(903,879)	1,927,161	(1,396,188)	(521,467)	492,309
Vocational	100,992	(67,812)	163,200	(130,071)	(62,208)	62,259
Adult continuing	7	(7)	63	(63)	(56)	56
Support services:						
Pupils	394,746	(384,881)	513,845	(500,488)	(119,099)	115,607
Instructional staff	499,989	(471,566)	525,161	(434,596)	(25,172)	(36,970)
Board of education	71,408	(71,408)	58,356	(58,356)	13,052	(13,052)
Administration	1,213,436	(1,166,439)	1,319,127	(1,274,978)	(105,691)	108,539
Fiscal	754,970	(467,205)	519,643	(509,813)	235,327	42,608
Business	7	(7)	63	(63)	(56)	56
Operation and maintenance of plant	1,641,692	(1,637,242)	1,715,906	(1,709,433)	(74,214)	72,191
Pupil transportation	1,024,209	(1,023,864)	1,121,318	(1,121,022)	(97,109)	97,158
Central	185	(185)	1,618	(1,618)	(1,433)	1,433
Operation of non- instructional services	741,485	(50,420)	703,960	(24,341)	37,525	(26,079)
Extracurricular activities	703,959	(419,525)	677,507	(330,985)	26,452	(88,540)
Interest and fiscal charges	150,145	(150,145)	199,838	(199,838)	(49,693)	49,693
<b>Total expenses</b>	<u>\$ 15,963,716</u>	<u>\$ (13,065,957)</u>	<u>\$ 16,725,348</u>	<u>\$ (13,917,138)</u>	<u>\$ (761,632)</u>	<u>\$ 851,181</u>

**Financial Analysis of the Governmental Funds**

**Governmental Funds.** Information about the School District's governmental funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,785,361 and expenditures of \$16,349,599. The total governmental fund balance increased \$1,435,762. The net change in governmental fund balance for the year was most significant in the general fund, where the fund balance increased \$1,402,966 for fiscal year 2011.



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The general fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,231,365, while total fund balance increased to \$7,382,782. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 46.1 percent of total general fund expenditures, while total fund balance represents 54.7 percent of that same amount. There was no one key factor to this increase of fund balance for the general fund. Revenues increased by \$161,508, not specific to any one item. Total expenditures decreased \$293,763, not specific to any one function.

Table 4 shows fiscal year 2011 balances compared to fiscal year 2010.

Table 4  
Fund Balances

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
General	\$ 7,382,782	\$ 5,979,816	\$ 1,402,966	23.46%
Other governmental	<u>1,259,002</u>	<u>1,226,206</u>	<u>32,796</u>	<u>2.67%</u>
Total	<u>\$ 8,641,784</u>	<u>\$ 7,206,022</u>	<u>\$ 1,435,762</u>	<u>19.92%</u>

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2011, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue was \$14,418,070 and the original budget estimate was \$14,353,291. Of this \$64,779 difference, intergovernmental revenue was \$32,269 over original estimates. This revenue line item fluctuates year to year.

The difference between the original budget appropriations and the final amended budget appropriations of the general fund were approximately \$534,041. Most of the decrease occurred in instruction, which amounted to \$323,547. There was no difference between the final budget appropriations and the actual expenditures of the general fund.

**Eastwood Local School District**  
*Management's Discussion and Analysis*  
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***Capital Assets and Debt Administration***

***Capital Assets.*** The School District's investment in capital assets for its governmental activities as of June 30, 2011, amount to \$4,993,173 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, equipment and fixtures, and vehicles. The total increase in the School District's investment in capital assets for the current fiscal year was 1.8 percent, which was primarily due to the completion of a project and an adjustment made in accumulated depreciation expense for salvage values.

Table 5  
 Capital Assets (Net of Depreciation)  
 Governmental Activities

	<u>2011</u>	<u>2010</u>
Land	\$ 261,067	\$ 261,067
Construction in progress	-	168,980
Land improvements	5,125	-
Buildings and improvements	4,490,825	4,177,082
Furniture, equipment and fixtures	60,159	85,323
Vehicles	<u>175,997</u>	<u>213,143</u>
Total Capital Assets, Net	<u>\$ 4,993,173</u>	<u>\$ 4,905,595</u>

The School District completed construction of new boilers. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

***Debt.*** At June 30, 2011, the School District had \$3,648,810 in notes and bonds (including bond accretion) outstanding with \$108,397 due within one year. The School District's long-term obligations also include compensated absences and capital leases. Table 6 summarizes the notes and bonds outstanding:

Table 6  
 Outstanding Debt, at Fiscal Year End  
 Governmental Activities

	2011	2010
High School addition and renovation bonds	\$ 501,145	\$ 459,142
2010 Refunding bonds	2,457,665	2,712,781
Energy conservation notes	<u>690,000</u>	<u>738,127</u>
Total bonds	<u>\$ 3,648,810</u>	<u>\$ 3,910,050</u>

**Eastwood Local School District**  
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At June 30, 2011, the School District's overall legal debt margin was \$13,403,360 with an unvoted debt margin of \$275,582. The School District is rated Aaa by Moody's Investors Service. The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund. See Note 14, to the basic financial statements for details on the School District's debt.

**Current Financial Related Activities**

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

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

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Dave Michel, Treasurer at Eastwood Local School District, 4800 Sugar Ridge Street, Pemberville, Ohio 43450.

# Eastwood Local School District

## Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 8,535,935
Inventory held for resale	13,525
Materials and supplies inventory	2,903
<u>Receivables:</u>	
Accounts	32,937
Intergovernmental	58,423
Property taxes	5,428,169
Income taxes	565,942
Accrued interest	1,972
Prepaid items	142,234
Deferred charges	55,199
<u>Capital assets:</u>	
Nondepreciable capital assets	261,067
Depreciable capital assets, net	4,732,106
Total assets	<u>19,830,412</u>
<u>Liabilities:</u>	
Accounts payable	4,058
Accrued wages	1,288,750
Matured compensated absences payable	50,733
Intergovernmental payable	50,172
Pension obligation payable	343,487
Accrued interest payable	20,736
Deferred revenue	4,263,357
<u>Long-term liabilities:</u>	
Due within one year	293,279
Due in more than one year	4,274,832
Total liabilities	<u>10,589,404</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	1,680,988
<u>Restricted for:</u>	
Capital projects	68,355
Debt service	280,099
Extracurricular	61,913
Other purposes	964,340
Unrestricted	6,185,313
Total net assets	<u>\$ 9,241,008</u>

See accompanying notes to the basic financial statements.

**Eastwood Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 7,260,792	\$ 519,094	\$ 490,326	\$ (6,251,372)
Special	1,405,694	29,798	472,017	(903,879)
Vocational	100,992	-	33,180	(67,812)
Adult/continuing	7	-	-	(7)
Support services:				
Pupils	394,746	-	9,865	(384,881)
Instructional staff	499,989	12,156	16,267	(471,566)
Board of education	71,408	-	-	(71,408)
Administration	1,213,436	-	46,997	(1,166,439)
Fiscal	754,970	-	287,765	(467,205)
Business	7	-	-	(7)
Operation and maintenance of plant	1,641,692	-	4,450	(1,637,242)
Pupil transportation	1,024,209	-	345	(1,023,864)
Central	185	-	-	(185)
Operation of non-instructional services	741,485	486,960	204,105	(50,420)
Extracurricular activities	703,959	284,434	-	(419,525)
Interest and fiscal charges	150,145	-	-	(150,145)
Total governmental activities	\$ 15,963,716	\$ 1,332,442	\$ 1,565,317	(13,065,957)

General Revenues:

Property taxes levied for:

General purposes	4,882,436
Debt service	250,951
Capital outlay	238,360
Income taxes levied for:	
General purposes	1,721,819
Grants and entitlements not restricted to specific programs	7,208,622
Payment in lieu of taxes	480,000
Investment earnings	125,899
Miscellaneous	6,610

Total general revenues 14,914,697

Change in net assets 1,848,740

Net assets beginning of year 7,392,268

Net assets end of year \$ 9,241,008

See accompanying notes to the basic financial statements.

# Eastwood Local School District

## Balance Sheet

### Governmental Funds

June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 7,250,934	\$ 1,281,506	\$ 8,532,440
Cash and cash equivalents:			
Inventory held for resale	-	13,525	13,525
Materials and supplies inventory	-	2,903	2,903
Receivables:			
Accounts	32,937	-	32,937
Intergovernmental	-	58,423	58,423
Accrued interest	1,972	-	1,972
Interfund	27,011	-	27,011
Property taxes	5,058,267	369,902	5,428,169
Income taxes	565,942	-	565,942
Prepaid items	136,143	6,091	142,234
Total assets	<u>\$ 13,073,206</u>	<u>\$ 1,732,350</u>	<u>\$ 14,805,556</u>
 <u>Liabilities and fund balances:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 3,971	\$ 87	\$ 4,058
Accrued wages	1,230,218	58,532	1,288,750
Matured compensated absences payable	50,733	-	50,733
Interfund payable	-	27,011	27,011
Intergovernmental payable	49,368	804	50,172
Pension obligation payable	308,421	35,066	343,487
Deferred revenue	4,047,713	351,848	4,399,561
Total liabilities	<u>5,690,424</u>	<u>473,348</u>	<u>6,163,772</u>
 <u>Fund balances:</u>			
Nonspendable	136,143	22,519	158,662
Restricted	-	1,348,116	1,348,116
Assigned	1,015,274	-	1,015,274
Unassigned	6,231,365	(111,633)	6,119,732
Total fund balances	<u>7,382,782</u>	<u>1,259,002</u>	<u>8,641,784</u>
Total liabilities and fund balances	<u>\$ 13,073,206</u>	<u>\$ 1,732,350</u>	<u>\$ 14,805,556</u>

See accompanying notes to the basic financial statements.

**Eastwood Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2011*

<b>Total governmental fund balances</b>		\$ 8,641,784
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,993,173
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	77,781	
Intergovernmental	58,423	
		136,204
Deferred charges are included in governmental activities in the statement of net assets.		55,199
An internal service fund is used by management to charge the costs of field trips and various other functions to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		3,495
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Refunding general obligation bonds	\$ (2,417,493)	
Refunding capital appreciation bonds including accreted interest	(40,172)	
Capital appreciation bonds including accreted interest	(501,145)	
Energy conservation notes	(690,000)	
Compensated absences	(919,301)	
Accrued interest payable	(20,736)	
Total	(4,588,847)	(4,588,847)
<b>Net assets of governmental activities</b>		<b>\$ 9,241,008</b>

See accompanying notes to the basic financial statements.

**Eastwood Local School District**  
*Statement of Revenues, Expenditures  
and Changes in Fund Balances*  
*Governmental Funds*  
For the Fiscal Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property taxes	\$ 4,863,618	\$ 489,665	\$ 5,353,283
Income taxes	1,721,819	-	1,721,819
Payment in lieu of taxes	480,000	-	480,000
Intergovernmental	7,182,289	1,582,743	8,765,032
Interest	125,899	6	125,905
Tuition and fees	492,364	1,665	494,029
Extracurricular activities	56,528	296,590	353,118
Gifts and donations	-	270	270
Charges for services	-	485,295	485,295
Miscellaneous	6,610	-	6,610
Total revenues	<u>14,929,127</u>	<u>2,856,234</u>	<u>17,785,361</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	7,180,490	93,166	7,273,656
Special	1,009,276	403,363	1,412,639
Vocational	100,588	1,486	102,074
Support services:			
Pupils	380,040	10,015	390,055
Instructional staff	443,262	53,646	496,908
Board of education	71,408	-	71,408
Administration	1,162,027	47,796	1,209,823
Fiscal	506,682	252,321	759,003
Operation and maintenance of plant	1,215,641	421,811	1,637,452
Pupil transportation	1,013,844	6,515	1,020,359
Operation of non-instructional services	-	742,002	742,002
Extracurricular activities	408,025	294,126	702,151
Capital outlay	-	120,330	120,330
Debt service:			
Principal retirement	16,186	298,127	314,313
Interest and fiscal charges	452	96,974	97,426
Total expenditures	<u>13,507,921</u>	<u>2,841,678</u>	<u>16,349,599</u>
Excess of revenues over expenditures	<u>1,421,206</u>	<u>14,556</u>	<u>1,435,762</u>
<u>Other financing sources (uses):</u>			
Transfers in	-	18,240	18,240
Transfers out	(18,240)	-	(18,240)
Total other financing sources (uses)	<u>(18,240)</u>	<u>18,240</u>	<u>-</u>
Net change in fund balances	1,402,966	32,796	1,435,762
Fund balances at beginning of year, restated	5,979,816	1,226,206	7,206,022
Fund balances at end of year	<u>\$ 7,382,782</u>	<u>\$ 1,259,002</u>	<u>\$ 8,641,784</u>

See accompanying notes to the basic financial statements.



**Eastwood Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

**Net change in fund balances - total governmental funds** \$ 1,435,762

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$	120,330	
Depreciation expense		(32,752)	
Excess of capital outlay over depreciation expense			87,578

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

Property taxes	\$	18,464	
Intergovernmental		8,631	
Net change in deferred revenues during the year			27,095

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These activities consist of:

Capital lease	\$	16,186	
Note issues		48,127	
Refunded general obligation bonds		250,000	
Total expenditures			314,313

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

Decrease in compensated absences	\$	37,033	
Increase in accrued interest		(8,845)	
Amortization of:			
Issuance cost		(6,987)	
Premium		14,871	
Bond accretion		(51,758)	
Total additional expenditures			(15,686)

The internal service fund is used by management to charge the costs of field trips and various other functions to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.

(322)

**Change in net assets of governmental activities** \$ 1,848,740

See accompanying notes to the basic financial statements.

**Eastwood Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual - General Fund  
 For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 4,417,274	\$ 4,437,210	\$ 4,437,210	\$ -
Income taxes	1,748,738	1,756,630	1,756,630	-
Intergovernmental	7,150,020	7,182,289	7,182,289	-
Interest	123,370	123,927	123,927	-
Tuition and fees	429,466	431,404	431,404	-
Gifts and donations	477,843	480,000	480,000	-
Miscellaneous	6,580	6,610	6,610	-
Total revenues	<u>14,353,291</u>	<u>14,418,070</u>	<u>14,418,070</u>	<u>-</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	7,489,203	7,210,635	7,210,635	-
Special	1,077,333	1,037,261	1,037,261	-
Vocational	131,934	127,027	127,027	-
<b>Support services:</b>				
Pupils	452,217	435,396	435,396	-
Instructional staff	452,415	435,587	435,587	-
Board of education	74,167	71,408	71,408	-
Administration	1,340,248	1,290,400	1,290,400	-
Fiscal	560,499	539,650	539,650	-
Operation and maintenance of plant	1,251,936	1,205,369	1,205,369	-
Pupil transportation	1,091,026	1,050,444	1,050,444	-
Extracurricular activities	436,589	420,349	420,349	-
Total expenditures	<u>14,357,567</u>	<u>13,823,526</u>	<u>13,823,526</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(4,276)</u>	<u>594,544</u>	<u>594,544</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditures	200	200	200	-
Advances in	146,319	146,319	146,319	-
Advances out	(14,002)	(14,002)	(14,002)	-
Transfers out	(18,240)	(18,240)	(18,240)	-
Total other financing sources (uses)	<u>114,277</u>	<u>114,277</u>	<u>114,277</u>	<u>-</u>
Net change in fund balance	110,001	708,821	708,821	-
Fund balance at beginning of year	6,317,319	6,317,319	6,317,319	-
Prior year encumbrances appropriated	118,519	118,519	118,519	-
Fund balance at end of year	<u>\$ 6,545,839</u>	<u>\$ 7,144,659</u>	<u>\$ 7,144,659</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

**Eastwood Local School District**

*Statement of Fund Net Assets*

*Proprietary Fund*

*June 30, 2011*

	Governmental- Activities Internal Service Fund
<u>Assets:</u>	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 3,495
	<hr/>
<u>Liabilities:</u>	
Total liabilities	-
	<hr/>
<u>Net assets:</u>	
Unrestricted	3,495
Total liabilities and net assets	\$ 3,495
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

**Eastwood Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Governmental- Activities Internal Service Fund
<u>Operating revenues:</u>	
Other revenues	\$ 19,084
<u>Operating expenses:</u>	
Other	19,406
Change in net assets	(322)
Net assets beginning of year	3,817
Net assets end of year	\$ 3,495

See accompanying notes to the basic financial statements.

**Eastwood Local School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2011

	Governmental- Activities Internal Service Fund
<u>Cash flows from operating activities:</u>	
Cash received from other operating sources	\$ 19,084
Cash payments for other operating expenses	(19,406)
Net cash used for operating activities	(322)
Net decrease in cash and cash equivalents	(322)
Cash and cash equivalents at beginning of year	3,817
Cash and cash equivalents at end of year	\$ 3,495
Reconciliation of operating income to net cash used for operating activities:	
Operating loss	\$ (322)
Net cash used for operating activities	\$ (322)

See accompanying notes to the basic financial statements.

**Eastwood Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2011*

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 52,403
	<u><u>52,403</u></u>
<u>Liabilities:</u>	
Accounts payable	\$ 404
Intergovernmental payable	12
Due to students	51,987
Total liabilities	\$ 52,403
	<u><u>52,403</u></u>

See accompanying notes to the basic financial statements.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the School District**

Eastwood Local School District (the “School District”) is organized under Article VI, Section 2 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 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 27 square miles. It is located in Wood County, and includes the territories of the Villages of Pemberville and Luckey and the Townships of Freedom, Troy, Webster, Middleton, and Perrysburg. It is staffed by 70 non-certificated employees and 102 certificated full-time teaching personnel who provide services to 1,632 students and other community members. The School District currently operates 5 instructional buildings, 1 administrative building, and a garage.

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

**B. Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

Component units may also include organizations that are fiscally dependent of the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Based on the above description, there are no component units within the School District.

The School District is associated with the Northern Ohio Educational Computer Association, the Penta County Vocational School and the Ohio Schools' Council Association, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 17.

The School District is associated with an organization which is defined as an insurance purchasing pool. This organization is the Ohio Association of School Business Officials Worker's Compensation Group Rating Plan. Information regarding this organization is presented in Note 18.

The following activities are included within the reporting entity as an agency fund:

Special Education Regional Resource Center (SERRC) - a separate body corporate and politic within the School District's boundaries. The federal Department of Education provides funding to the SERRC, which is received and disbursed through the School District's financial records, at the direction of the SERRC.

C. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The effect of interfund activity, within governmental type activities columns has been removed from these statements. However, the services provided and used are not eliminated in the process of consolidation.

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



**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

*Fund Financial Statements*

Fund financial statements report detailed information about the School District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is represented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types 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 statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

**D. Fund Accounting**

The School District uses funds 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.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate “fund types.”

*Governmental Fund Types:*

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

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

**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.

*Proprietary Fund Types:*

Proprietary fund reporting focuses on the determination of the changes in net assets, financial position and cash flows and are classified as internal service.

**Internal Service Fund** The only internal service fund carried on the financial records is related to field trips and miscellaneous rotary fund.

*Fiduciary Fund Types:*

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trusts, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds account for student activities managed by the student body and the other for monies held in a fiscal agency capacity for SERRC.

E. Measurement Focus and Basis of Accounting

*Measurement Focus:*

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of fund net assets. The statement of revenues, expenses and changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

*Basis of Accounting:*

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income 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 6). Revenue from income taxes is recognized in the fiscal year in which the income is earned (See Note 8). 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, income taxes, interest, tuition, grants, student fees and rentals.

Deferred Revenue 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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

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

**F. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entail 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.

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

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

*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 Wood 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 first and final amended certificate issued during fiscal year 2011.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

*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 must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level 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 expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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. The budget figures which appear in the statements of budgetary comparisons represent the first and 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.

*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.

*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. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as an assigned fund balance for subsequent - year expenditures for governmental funds.

**G. Cash and Cash Equivalents**

To improve cash management, 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 the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

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

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

H. Inventory

On the government-wide financial statements supply inventories are presented at cost on a first-in, first-out basis and is expended/expensed when used.

On fund financial statements, inventories held for resale, are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories consist of donated food, purchased food, school supplies held for resale and expensed when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011 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.

J. Deferred Charges and Bond Premiums

In governmental fund types, bond premiums and issuance costs are recognized in the current period. On the statement of net assets, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

K. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Building and improvements	20 - 50 years
Furniture, equipment and fixtures	5 - 20 years
Vehicles	8 years

**L. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a nonreimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

**M. Interfund Assets/Liabilities**

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

**N. Compensated Absences**

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

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

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

For the governmental fund financial statements, upon the occurrence of employee resignations and retirements, compensated absences are recognized as liabilities and expenditures to the extent payments come due and payable as of June 30, 2011. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The remaining compensated absences are recorded as long term liabilities on the Statement of Net Assets.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

O. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

P. Fund Balance

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.



**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**Q. Interfund Transactions**

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

**R. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for "other purposes" have external restrictions imposed through state and federal grantors.

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

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

S. Estimates

The preparation of the 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.

T. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues include amounts for field trips and miscellaneous rotary activity. Operating expenses are necessary costs occurred to provide the good or service that is the primary activity of the fund.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Change in accounting principles

For the fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

B. Restatement of prior year’s fund balance

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Fund balance at June 30, 2010	\$ 5,926,848	\$ 1,279,174	\$ 7,206,022
Change in fund structure	<u>52,968</u>	<u>(52,968)</u>	<u>-</u>
Adjusted fund balance at July 1, 2010	<u>\$ 5,979,816</u>	<u>\$ 1,226,206</u>	<u>\$ 7,206,022</u>

NOTE 3 – FUND BALANCES

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

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>			
Inventory held for resale	\$ -	\$ 13,525	\$ 13,525
Materials and supplies inventory	-	2,903	2,903
Prepays	136,143	6,091	142,234
Total nonspendable	136,143	22,519	158,662
<u>Restricted for</u>			
Special trusts	-	2,966	2,966
Athletics and music	-	61,913	61,913
Technology	-	34,082	34,082
Public school preschool	-	2,400	2,400
Instructional programs	-	881,976	881,976
Vocational education	-	1,165	1,165
Local grants	-	188	188
Permanent improvements	-	276,345	276,345
Debt service payments	-	87,081	87,081
Total restricted	-	1,348,116	1,348,116
<u>Assigned</u>			
Public school support	23,707	-	23,707
Encumbrances	66,330	-	66,330
Next years budget	925,237	-	925,237
Total assigned	1,015,274	-	1,015,274
Unassigned (deficit)	6,231,365	(111,633)	6,119,732
Total fund balances	\$ 7,382,782	\$ 1,259,002	\$ 8,641,784

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

Net Change in Fund Balance

	<u>General</u>
GAAP basis	\$ 1,402,966
Revenue accruals	(393,369)
Advances in	146,319
Expenditure accruals	(379,874)
Advances out	(14,002)
Budgeted as part of special revenue fund:	
Revenues	(117,488)
Expenditures	133,536
Encumbrances (Budget Basis) outstanding at year end	(69,267)
Budget basis	\$ 708,821

**NOTE 5 - 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 five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

All interest is legally required to be placed in the general fund, and other funds as approved by a Board resolution. Interest revenue credited to the general fund during fiscal year 2011 amount to \$125,899, which includes \$2 assigned from other School District funds.

A. Cash on hand

At fiscal year-end, the School District had \$1,276 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

B. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$8,587,062. The School District's bank balance of \$8,735,618 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and not in the School District's name	\$ 4,022,223
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NOTE 6 - 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 (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
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Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Calendar year 2010 is the last year for the collection of tangible personal property taxes from telephone companies. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Wood 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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$1,010,554 in the general fund, \$28,562 in the bond retirement debt service fund, and \$47,914 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2010, was \$584,146 in the general fund, \$37,622 in the bond retirement debt service fund, and \$27,681 in the permanent improvement capital projects fund.

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

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

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

<u>Property Category</u>	<u>2011 Assessed Value</u>	<u>2010 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 172,039,530	\$ 171,413,190
Commercial, industrial and minerals	16,251,640	17,971,470
Public utilities	209,820	194,410
<u>Tangible Personal Property</u>		
Public utilities	10,480,220	13,316,300
Total	<u>\$ 198,981,210</u>	<u>\$ 202,895,370</u>

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011, consisted of taxes, accounts (rent, billings for user charged services, and student fees), interfund, interest and intergovernmental receivables for user charged services. 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. The nonmajor governmental funds reported intergovernmental receivables in the amount of \$58,423.

NOTE 8 - INCOME TAXES

The School District levies a voted tax of one percent for general operations on the earned income of residents and of estates. One percent of the tax was effective on January 1, 2007 and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.



**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>7/1/2010</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance</u> <u>6/30/2011</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 261,067	\$ -	\$ -	\$ 261,067
Construction in progress	<u>168,980</u>	<u>-</u>	<u>(168,980)</u>	<u>-</u>
Total capital assets, not being depreciated:	<u>430,047</u>	<u>-</u>	<u>(168,980)</u>	<u>261,067</u>
Capital assets, being depreciated:				
Land improvements	102,500	-	-	102,500
Buildings and improvements	10,813,229	289,310	-	11,102,539
Furniture, equipment and fixtures	323,556	-	(132,000)	191,556
Vehicles	<u>668,198</u>	<u>-</u>	<u>-</u>	<u>668,198</u>
Total capital assets, being depreciated	<u>11,907,483</u>	<u>289,310</u>	<u>(132,000)</u>	<u>12,064,793</u>
Less: Accumulated depreciation:				
Land improvements	(102,500)	5,125	-	(97,375)
Buildings and improvements	(6,636,147)	24,433	-	(6,611,714)
Furniture, equipment and fixtures	(238,233)	(25,164)	132,000	(131,397)
Vehicles	<u>(455,055)</u>	<u>(37,146)</u>	<u>-</u>	<u>(492,201)</u>
Total accumulated depreciation	<u>(7,431,935)</u>	<u>(32,752)</u>	<u>132,000</u>	<u>(7,332,687)</u>
Total capital assets, being depreciated, net	<u>4,475,548</u>	<u>256,558</u>	<u>-</u>	<u>4,732,106</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,905,595</u>	<u>\$ 256,558</u>	<u>\$ (168,980)</u>	<u>\$ 4,993,173</u>

Following the close of the previous fiscal year, an evaluation of asset lives was conducted on the School District's capital assets. This resulted in a change in estimate of the amount of depreciation related to these assets. The change in estimate is reflected in the current year addition of accumulated depreciation.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 11,252
Special	291
Adult	7
Support services:	
Pupil	348
Instructional staff	3,126
Administration	994
Business	7
Operation and maintenance of plant	8,075
Pupil transportation	7,753
Central	185
Extracurricular activities	714
Total depreciation expense	\$ 32,752

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property insurance of \$44,929,820, with no deductible. Vehicle liability is insured by SORSA in the amount of \$11,000,000, with no deductible. Professional liability is protected by the SORSA for all Board Members, administrators, and employees with limits of \$1,000,000 per occurrence and \$1,000,000 aggregate limit. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

All employees of the School District are covered by a blanket bond, while certain individuals in policy making roles are covered by a separate, higher bond coverage.

The School District pays the State Worker's Compensation System, a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District 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 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$226,340, \$307,640 and \$197,918 respectively; 54.5 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. \$102,882 representing the unpaid contribution for fiscal year 2011 is recorded as a pension obligation payable.

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$874,514, \$872,939 and \$835,209 respectively; 83.6 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. \$143,758 representing the unpaid contributions for fiscal year 2011 is recorded as a pension obligation payable. Contributions to the DC and Combined Plans for fiscal year 2011 were \$12,407 made by the School District and \$8,862 made by the plan members.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$56,721, \$40,401 and \$128,896 respectively; 72.8 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were \$14,566, \$18,295 and \$16,330 respectively; 54.6 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$67,270, \$67,149 and \$64,247 respectively; 83.6 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**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 five to twenty days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contracts do not earn vacation time. Full time Certified and Non-Certified employees are entitled to fifteen days sick leave at a rate of one and one-fourth days for each month under contract. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitation, be paid to the employee upon retirement sick leave benefits up to 50 days for all employees.

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through an independent party.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 14 – LONG-TERM OBLIGATIONS**

The changes in the School District’s debt obligations during fiscal year 2011 were as follows:

<u>Governmental Activities</u>	<u>Balance 7/1/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2011</u>	<u>Amount Due in One Year</u>
General obligation bonds:					
Capital appreciation bonds	\$ 174,692	\$ -	\$ -	\$ 174,692	\$ 63,397
Accretion on bonds	284,450	42,003	-	326,453	-
2010 Refunding bonds, 2-4%	2,550,000	-	(250,000)	2,300,000	-
Capital appreciation bonds	30,000	-	-	30,000	-
Accretion on bonds	417	9,755	-	10,172	-
Premium on bonds	<u>132,364</u>	<u>-</u>	<u>(14,871)</u>	<u>117,493</u>	<u>-</u>
Total general obligation bonds:	<u>3,171,923</u>	<u>51,758</u>	<u>(264,871)</u>	<u>2,958,810</u>	<u>63,397</u>
Long-term notes:					
Energy conservation, 2.09%	<u>738,127</u>	<u>-</u>	<u>(48,127)</u>	<u>690,000</u>	<u>45,000</u>
Other obligations:					
Compensated absences	956,334	183,810	(220,843)	919,301	184,882
Capital lease	<u>16,186</u>	<u>-</u>	<u>(16,186)</u>	<u>-</u>	<u>-</u>
Total Long-term obligations	<u>\$ 4,882,570</u>	<u>\$ 235,568</u>	<u>\$ (550,027)</u>	<u>\$ 4,568,111</u>	<u>\$ 293,279</u>

**General Obligation Bonds:** During fiscal year 1999, the School District issued \$4,339,692 in School Improvement bonds which include capital appreciation bonds. The School Improvement bonds are direct obligations of the School District for which its full faith and credit are pledged for repayment. The bonds were issued for providing resources for constructing, renovating, remodeling, furnishing, equipping and otherwise improving school facilities and their sites. The bonds and interest are to be repaid by the debt service fund from the proceeds of property taxes collected from a levy that was approved by the taxpayers.

On March 15, 2010, the School District issued \$2,580,000 in general obligation bonds which include serial, term and capital appreciation bonds with interest rates varying between 2.0 – 4.0% to refund \$2,580,000 of outstanding School Improvement bonds with an interest rate of 5.2792%. The net proceeds of the refunding bonds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the portion of the bonds refunded. As a result, the bonds are considered defeased and the liability is not reported by the School District. As of June 30, 2010, all of the old bonds that were advanced refunded were called.

On March 2, 2010, the School District issued \$738,127 in Energy Conservation Notes with an interest rate of 2.09% for the purpose of purchasing and installing energy conservation measures. The notes and interest are to be repaid by the debt service fund from property taxes.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

Compensated absences will be paid from the fund from which the employees' salaries are paid. In prior years, this fund has primarily been the general fund.

Principal and interest requirements to retire all bonds and notes outstanding at June 30, 2011 are as follows:

Fiscal Year June 30	<u>General Obligation Bonds</u>		<u>Energy conservation notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 63,397	\$ 323,996	\$ 45,000	\$ 13,951	\$ 108,397	\$ 337,947
2013	58,082	329,312	45,000	13,010	103,082	342,322
2014	53,213	334,180	45,000	12,070	98,213	346,250
2015	225,000	76,442	45,000	11,129	270,000	87,571
2016	230,000	71,433	45,000	10,189	275,000	81,622
2017-2021	1,020,000	487,681	245,000	36,000	1,265,000	523,681
2022-2025	855,000	52,100	220,000	9,196	1,075,000	61,296
	<u>\$ 2,504,692</u>	<u>\$ 1,675,144</u>	<u>\$ 690,000</u>	<u>\$ 105,545</u>	<u>\$ 3,194,692</u>	<u>\$ 1,780,689</u>

**NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During a previous fiscal year, the School District entered into a new capital lease agreement for the acquisition of a copier. The terms of each agreement provide options to purchase the equipment. The leases meet the criteria of capital leases as defined by the Financial Accounting Standards Board's Accounting Standards Codification 840 which defines a capital lease generally as one which transfers all benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized as equipment in the amount of \$132,000 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$16,186.

The final payment on the lease was made during the fiscal year.

**NOTE 16 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances at June 30, 2011 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	\$ 27,011

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2011, all interfund loans outstanding are anticipated to be repaid in fiscal year 2012.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers to nonmajor governmental funds from:	
General fund	\$ 18,240

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

The School District is a participant in the Northern Ohio Educational Computer Association (NOECA) which is a computer consortium. NOECA is an association made up of forty-one participating school districts and a seven county area. 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. NOECA is governed by an assembly consisting of the superintendents, or treasurers, or other designees of the member school districts. The assembly exercises total control over the operation of NOECA including budgeting, appropriating, contracting and designating management. All the NOECA revenues are generated from charges for services and state funding. To obtain information write to 219 Howard Drive, Sandusky, Ohio 44870.

The Penta County Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the sixteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Penta County Vocational School, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551.

The Ohio Schools' Council Association (Council) is a jointly governed organization among 121 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board.

During fiscal year 2011, the School District paid program fees in the amount of \$912 and \$84,909 for gas purchases. Financial information can be obtained by contacting David Cottrell, the Executive Director/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.



**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

**NOTE 18 - INSURANCE RATING POOL**

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance premium rating 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 OASBO. The Executive Director of the OASBO, or their designee, serves as coordinator of the Program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program.

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 district 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 ensures 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 Comp Management provides administrative, cost control and actuarial services to the GRP. In accordance with the above, the OASBA Group Rating Program has not been included as a component unit of the reporting entity.

**NOTE 19 - 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, 2011.

**B. Litigation**

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

**NOTE 20 - SET-ASIDE REQUIREMENTS**

The School District is required by the state law 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 and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. However, the amount restricted for textbooks and instructional materials will be eliminated following the close of the fiscal year as explained below.

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the textbook set-aside. Effective July 1, 2011, the textbook set aside is no longer required as the obligation was repealed by the 129th General Assembly in Amended Substitute House Bill 30. This balance is therefore not presented as being carried forward to a future fiscal year. Although the School District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

The following information describes the change in the year-end set-aside amounts for textbooks and capital maintenance.

	<u>Textbooks</u>	<u>Capital Improvement</u>	<u>Total</u>
Set aside balance as of June 30, 2010	\$ (232,853)	\$ -	\$ (232,853)
Current year set-aside requirement	252,147	252,147	504,294
Current year offset	-	(245,499)	(245,499)
Qualifying expenditures	<u>(94,837)</u>	<u>(361,524)</u>	<u>(456,361)</u>
Total	<u>\$ (75,543)</u>	<u>\$ (354,876)</u>	<u>\$ (430,419)</u>
Cash balance carried forward to FY2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Eastwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2011*

NOTE 21 – ACCOUNTABILITY

As of June 30, 2011, seven nonmajor special revenue funds had a deficit fund balance. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had a deficit at year-end:

Nonmajor special revenue funds:	Deficit
Food service	\$ 68,483
Education jobs	5,991
Migrant program	949
Title VI-B	180
Title I	16,639
Drug free schools grant	4,174
Reducing class size	15,217

**Eastwood Local School District**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ending June 30, 2011**

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	CFDA Number	Federal Receipts	Federal Disbursements
<b><u>U.S. Department of Agriculture</u></b>				
<b>Nutrition Cluster:</b>				
<b>Pass through Ohio Department of Education:</b>				
National School Lunch Program	044016-LLP4-2011	10.555	\$146,946	\$146,946
Breakfast Program	044016-05PU-2011	10.553	1,783	1,783
<b>Direct Program:</b>				
<b>Non-Cash Assistance:</b>				
National School Lunch Program - Food Commodities - Note 2	N/A	10.555	<u>85,865</u>	<u>85,865</u>
<b>Total Nutrition Cluster</b>			<b>234,594</b>	<b>234,594</b>
<b><u>U.S. Department of Education</u></b>				
<b>Pass through Ohio Department of Education</b>				
<b>ESEA Title I, Part C, Migrant Education—State Grant Program</b>				
Title I Migrant Worker- FY 10	N/A	84.011	2,661	2,916
Title I Migrant Worker- FY 11	N/A	84.011	<u>20,590</u>	<u>21,539</u>
<b>Total Title I - Migrant Education</b>			<b>23,251</b>	<b>24,455</b>
<b>Education Jobs</b>	N/A	84.410	28,281	34,272
<b>Race to the Top</b>	N/A	84.395	6,227	6,227
<b>ESEA Title I, Part A, Title I Grants to Local Education Agencies</b>				
Title I - N/D FY 10	N/A	84.010	8,919	6,755
Title I - N/D FY 11	N/A	84.010	89,637	92,200
ARRA - Title I FY 11	N/A	84.389	<u>28,617</u>	<u>28,617</u>
<b>Total Title I - Grants to Local Education Agencies</b>			<b>127,173</b>	<b>127,572</b>
<b>Title VI - B, Special Education - Assistance to States for Education of Handicapped Children</b>				
Title VI - B - FY 10	044016-6BSF-2010	84.027	30,649	30,649
Title VI - B - FY 11	044016-6BSF-2011	84.027	306,024	306,024
ARRA - Title VI - B - 2010	N/A	84.391	11,888	12,027
ARRA - Title VI - B - 2011	N/A	84.391	<u>249,094</u>	<u>249,274</u>
<b>Total Title VI - B</b>			<b>597,655</b>	<b>597,974</b>
<b>ARRA-Education State Grants, 2011</b>	N/A	84.394	496,153	0
<b>Title II-D Technology</b>				
Title II-D Technology - FY 10	044016-TJS1-2010	84.318	879	879
Title II-D Technology - FY 11	044016-TJS1-2011	84.318	<u>349</u>	<u>349</u>
<b>Total Title II-D Technology</b>			<b>1,228</b>	<b>1,228</b>
<b>Title II-A</b>				
Improv. Teacher Quality - FY 10	044016-TRS1-2010	84.367	32,788	32,788
Improv. Teacher Quality - FY11	044016-TRS1-2011	84.367	<u>52,409</u>	<u>55,982</u>
<b>Total Title II-A</b>			<b>85,197</b>	<b>88,770</b>
<b>Total U.S. Department of Education</b>			<u>1,365,165</u>	<u>880,498</u>
<b>Total Federal Awards</b>			<u>\$1,599,759</u>	<u>\$1,115,092</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

**EASTWOOD LOCAL SCHOOL DISTRICT**  
**Wood County, Ohio**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2011**

**1. Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

**2. Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2011, the District had immaterial food commodities in inventory.

**3. N/A – Information not available.**

**4. Transfer of Funds**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program.

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Eastwood Local School District  
Wood County  
4800 Sugar Ridge Road  
Pemberville, Ohio 43450

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastwood Local School District, Wood County, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2012 wherein we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". Also, the District changed the useful lives of various capital assets. 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.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

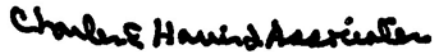
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.



***Charles E. Harris and Associates, Inc.***

February 17, 2012

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Eastwood Local School District  
Wood County  
4800 Sugar Ridge Road  
Pemberville, OH 43450

To the Board of Education:

**Compliance**

We have audited the Eastwood Local School District, Wood County, Ohio's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's federal programs for the year ended June 30, 2011. The District's major federal programs are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Eastwood Local School District, Wood County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2011-1.



### Internal Control Over Compliance

Management of the Eastwood Local School District, Wood County, Ohio is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, the audit committee, others within the entity, 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.



**CHARLES E. HARRIS & ASSOCIATES, INC.**  
February 17, 2012

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505**

**Eastwood Local School District  
Wood County  
June 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	Yes
(d)(1)(vii)	<i>Major Programs:</i>	Special Education - CFDA #84.027 ARRA - Special Education - CFDA #84.391
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS – (continued)  
OMB CIRCULAR A-133 SECTION .505

EASTWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY  
June 30, 2011

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

None.

3. FINDINGS FOR FEDERAL AWARDS

DEPARTMENT OF EDUCATION

Finding 2011-1 - State Fiscal Stabilization Fund – ARRA - CFDA No. 84.394

Cash Management

We performed cash management compliance tests to determine if the District was minimizing the time that elapsed between the receipt of funding from the Ohio Department of Education (ODE) and the disbursement of the funds. ODE interpreted this requirement to mean that Districts should spend this funding within 30 Days or by the end of the month in which it was received, whichever came first. 34 CFR 80.20(b)(7) states in part “When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.” For the State Fiscal Stabilization funding, ODE provided the funding through its normal Foundation payment schedule and the District was not required to request the funding. However, ODE stipulated that amounts received should be spent within 30 days or by the end of the month in which it was received, whichever came first. The District did not always spend amounts received within the stipulated time frame. We noted the District did not always spend the monthly amounts received through the State Foundation payments in accordance with policies stipulated by the ODE.

We recommend the District implement cash management procedures to ensure compliance with all federal requirements.

Management response: The District did not request drawdown of SFSF funding; it was distributed automatically through Foundation payments. Districts were never given the opportunity to request the money to meet their monthly expenditure needs. ODE guidance was very unclear throughout the fiscal year, with no final ruling handed down until one month after the end of the fiscal year. The District expended the SFSF funds to cover regular teacher salaries earned during FY2011 and paid over routine contract pay-off period of 26 pays stretching from 9/10/10 to 9/2/11, similar to the process used for all other Federal Funds through the CCIP. All SFSF dollars were expended in a reasonable and consistent manner. There was definitely a disconnect between how ODE wanted us to spend the money and how ODE wanted us to account for the money. The District did end up spending all SFSF money.

**EASTWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2011**

The prior audit report, for the year ending June 30, 2010, reported no material citations or recommendations.

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*Certified Public Accountants*

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

Eastwood Local School District  
Wood County  
4800 Sugar Ridge Road  
Pemberville, OH 43450

To the Board of Education:

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

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

We noted the Board of Education amended its anti-harassment policy at its meeting on February 25, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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



***Charles E. Harris & Associates, Inc.***  
February 17, 2012

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# Dave Yost • Auditor of State

**EASTWOOD LOCAL SCHOOL DISTRICT**

**WOOD 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  
MAY 8, 2012**