



**EASTERN LOCAL SCHOOL DISTRICT  
PIKE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO  
AUDITOR OF STATE**

STATE OF OHIO



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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Eastern Local School District, Pike County, (the School District) as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Eastern Local School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the accompanying general purpose financial statements, during the year ended June 30, 1999, the School District changed its method of accounting and financial reporting for its Internal Revenue Code Section 457 Deferred Compensation Plans.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 1999 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

December 7, 1999

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**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 1999**

<i><b>GOVERNMENTAL FUND TYPES</b></i>				
	General	Special Revenue	Debt Service	Capital Projects
<i><b>Assets:</b></i>				
Equity in Pooled Cash and Cash Equivalents	\$1,224,667	\$141,608	\$43,015	\$4,367,247
Cash and Cash Equivalents with Fiscal Agents	0	0	0	21,961
Receivables:				
Taxes	763,029	17,032	144,503	0
Intergovernmental	900	792	0	0
Accrued Interest	5,325	0	0	12,748
Interfund	11,995	0	0	0
Prepaid Items	4,123	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	12,232	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	208,535	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<i><b>Other Debits:</b></i>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets and Other Debits</i>	<u>\$2,230,806</u>	<u>\$159,432</u>	<u>\$187,518</u>	<u>\$4,401,956</u>



<i>PROPRIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$6,022	\$28,398	\$22,137	\$0	\$0	\$5,833,094
0	0	0	0	0	21,961
0	0	0	0	0	924,564
24,249	0	0	0	0	25,941
0	0	0	0	0	18,073
0	0	0	0	0	11,995
0	0	0	0	0	4,123
4,839	0	0	0	0	4,839
355	0	0	0	0	12,587
0	0	0	0	0	208,535
12,383	0	0	3,858,536	0	3,870,919
0	0	0	0	52,388	52,388
0	0	0	0	1,570,841	1,570,841
<u>\$47,848</u>	<u>\$28,398</u>	<u>\$22,137</u>	<u>\$3,858,536</u>	<u>\$1,623,229</u>	<u>\$12,559,860</u>

**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 1999**

	<b>GOVERNMENTAL FUND TYPES</b>			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities,</i>				
<i><u>Fund Equity and Other Credits:</u></i>				
<i><u>Liabilities:</u></i>				
Accounts Payable	\$71,718	\$621	\$0	\$0
Contracts Payable	0	0	0	337,813
Accrued Wages and Benefits	358,247	84,414	0	0
Compensated Absences Payable	11,887	0	0	0
Retainage Payable	0	0	0	21,961
Intergovernmental Payable	84,121	15,573	0	0
Interfund Payable	0	11,995	0	0
Deferred Revenue	712,329	15,896	135,130	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<i>Total Liabilities</i>	<u>1,238,302</u>	<u>128,499</u>	<u>135,130</u>	<u>359,774</u>
<i><u>Fund Equity and Other Credits:</u></i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	80,477	15,776	0	77,432
Reserved for Inventory	12,232	0	0	0
Reserved for Property Taxes	50,700	1,136	9,373	0
Reserved for Textbooks/Instructional Materials	52,672	0	0	0
Reserved for Capital Improvements	54,896	0	0	0
Reserved for Budget Stabilization	63,135	0	0	0
Reserved for School Bus Purchases	37,832	0	0	0
Unreserved:				
Undesignated	640,560	14,021	43,015	3,964,750
<i>Total Fund Equity and Other Credits</i>	<u>992,504</u>	<u>30,933</u>	<u>52,388</u>	<u>4,042,182</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$2,230,806</u>	<u>\$159,432</u>	<u>\$187,518</u>	<u>\$4,401,956</u>

The notes to the financial statements are an integral part of this statement.

<i>PROPRIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$423	\$0	\$0	\$0	\$0	\$72,762
0	0	0	0	0	337,813
19,263	0	0	0	0	461,924
5,894	0	0	0	226,765	244,546
0	0	0	0	0	21,961
9,761	0	0	0	41,464	150,919
0	0	0	0	0	11,995
3,851	0	0	0	0	867,206
0	0	22,137	0	0	22,137
0	3,432	0	0	0	3,432
0	0	0	0	1,355,000	1,355,000
<u>39,192</u>	<u>3,432</u>	<u>22,137</u>	<u>0</u>	<u>1,623,229</u>	<u>3,549,695</u>
0	0	0	3,858,536	0	3,858,536
8,656	24,966	0	0	0	33,622
0	0	0	0	0	173,685
0	0	0	0	0	12,232
0	0	0	0	0	61,209
0	0	0	0	0	52,672
0	0	0	0	0	54,896
0	0	0	0	0	63,135
0	0	0	0	0	37,832
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,662,346</u>
<u>8,656</u>	<u>24,966</u>	<u>0</u>	<u>3,858,536</u>	<u>0</u>	<u>9,010,165</u>
<u>\$47,848</u>	<u>\$28,398</u>	<u>\$22,137</u>	<u>\$3,858,536</u>	<u>\$1,623,229</u>	<u>\$12,559,860</u>

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**Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b><u>Revenues:</u></b>					
Property Taxes	\$568,880	\$14,749	\$118,219	\$0	\$701,848
Intergovernmental	4,319,645	682,258	12,891	4,009,970	9,024,764
Interest	112,663	0	0	60,764	173,427
Tuition and Fees	3,806	297	0	0	4,103
Rent	118	0	0	0	118
Extracurricular Activities	0	31,705	0	0	31,705
Gifts and Donations	0	19	0	0	19
Miscellaneous	435	0	0	0	435
<i>Total Revenues</i>	<u>5,005,547</u>	<u>729,028</u>	<u>131,110</u>	<u>4,070,734</u>	<u>9,936,419</u>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	2,053,352	287,340	0	65,934	2,406,626
Special	263,485	308,295	0	0	571,780
Vocational	53,480	0	0	0	53,480
Other	2,523	0	0	0	2,523
Support Services:					
Pupils	179,708	63,342	0	0	243,050
Instructional Staff	180,226	85,964	0	0	266,190
Board of Education	13,907	0	0	0	13,907
Administration	613,884	15,600	467	0	629,951
Fiscal	148,030	1,956	3,606	0	153,592
Operation and Maintenance of Plant	419,790	0	0	21,085	440,875
Pupil Transportation	683,833	250	0	0	684,083
Central	3,908	2,350	0	0	6,258
Extracurricular Activities	63,896	23,162	0	0	87,058
Capital Outlay	0	0	0	1,852,874	1,852,874
Debt Service:					
Principal Retirement	0	0	68,000	0	68,000
Interest and Fiscal Charges	0	0	67,424	0	67,424
<i>Total Expenditures</i>	<u>4,680,022</u>	<u>788,259</u>	<u>139,497</u>	<u>1,939,893</u>	<u>7,547,671</u>
Excess of Revenues Over (Under) Expenditures	<u>325,525</u>	<u>(59,231)</u>	<u>(8,387)</u>	<u>2,130,841</u>	<u>2,388,748</u>
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Sale of Fixed Assets	800	0	0	0	800
Operating Transfers - In	11,483	35,055	0	300,140	346,678
Operating Transfers - Out	(370,195)	(11,483)	0	0	(381,678)
<i>Total Other Financing Sources (Uses)</i>	<u>(357,912)</u>	<u>23,572</u>	<u>0</u>	<u>300,140</u>	<u>(34,200)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(32,387)	(35,659)	(8,387)	2,430,981	2,354,548
Fund Balances at Beginning of Year	1,024,295	66,592	60,775	1,611,201	2,762,863
Increase in Reserve for Inventory	596	0	0	0	596
Fund Balances at End of Year	<u>\$992,504</u>	<u>\$30,933</u>	<u>\$52,388</u>	<u>\$4,042,182</u>	<u>\$5,118,007</u>

The notes to the financial statements are an integral part of this statement

**Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Budget Basis)  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999**

	<i>GENERAL FUND</i>			<i>SPECIAL REVENUE FUNDS</i>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$564,214	\$564,214	\$0	\$13,718	\$13,718	\$0
Intergovernmental	4,297,303	4,297,303	0	726,196	726,196	0
Interest	108,859	108,859	0	0	0	0
Tuition and Fees	3,806	3,806	0	297	297	0
Rent	118	118	0	0	0	0
Extracurricular Activities	0	0	0	31,675	31,675	0
Gifts and Donations	0	0	0	19	19	0
Miscellaneous	435	435	0	0	0	0
<i>Total Revenues</i>	<u>4,974,735</u>	<u>4,974,735</u>	<u>0</u>	<u>771,905</u>	<u>771,905</u>	<u>0</u>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	2,074,677	2,074,677	0	297,724	297,724	0
Special	261,579	261,579	0	308,752	308,752	0
Vocational	52,932	52,932	0	0	0	0
Other	2,523	2,523	0	0	0	0
Support Services:						
Pupils	191,339	191,339	0	57,656	57,656	0
Instructional Staff	171,815	171,815	0	96,190	96,190	0
Board of Education	13,820	13,820	0	0	0	0
Administration	612,086	612,086	0	15,566	15,566	0
Fiscal	149,571	149,571	0	1,970	1,970	0
Operation and Maintenance of Plant	467,622	467,622	0	0	0	0
Pupil Transportation	706,513	706,513	0	250	250	0
Central	5,060	5,060	0	2,350	2,350	0
Extracurricular Activities	63,310	63,310	0	29,583	29,583	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<i>Total Expenditures</i>	<u>4,772,847</u>	<u>4,772,847</u>	<u>0</u>	<u>810,041</u>	<u>810,041</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>201,888</u>	<u>201,888</u>	<u>0</u>	<u>(38,136)</u>	<u>(38,136)</u>	<u>0</u>
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Fixed Assets	800	800	0	0	0	0
Refund of Prior Year Expenditures	21,442	21,442	0	30	30	0
Refund of Prior Year Receipts	0	0	0	(7,330)	(7,330)	0
Advances - In	6,985	6,985	0	11,995	11,995	0
Advances - Out	(11,995)	(11,995)	0	(6,985)	(6,985)	0
Operating Transfers - In	152,947	152,947	0	66,975	66,975	0
Operating Transfers - Out	(511,659)	(511,659)	0	(43,403)	(43,403)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(341,480)</u>	<u>(341,480)</u>	<u>0</u>	<u>21,282</u>	<u>21,282</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(139,592)</u>	<u>(139,592)</u>	<u>0</u>	<u>(16,854)</u>	<u>(16,854)</u>	<u>0</u>
Fund Balances at Beginning of Year	1,197,219	1,197,219	0	110,952	110,952	0
Prior Year Encumbrances Appropriated	<u>223,330</u>	<u>223,330</u>	<u>0</u>	<u>31,113</u>	<u>31,113</u>	<u>0</u>
Fund Balances at End of Year	<u>\$1,280,957</u>	<u>\$1,280,957</u>	<u>\$0</u>	<u>\$125,211</u>	<u>\$125,211</u>	<u>\$0</u>

The notes to the financial statements are an integral part of this statement.

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUND</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$109,677	\$109,677	\$0	\$0	\$0	\$0	\$687,609	\$687,609	0
12,891	12,891	0	4,009,970	4,009,970	0	9,046,360	9,046,360	0
0	0	0	48,016	48,016	0	156,875	156,875	0
0	0	0	0	0	0	4,103	4,103	0
0	0	0	0	0	0	118	118	0
0	0	0	0	0	0	31,675	31,675	0
0	0	0	0	0	0	19	19	0
0	0	0	0	0	0	435	435	0
122,568	122,568	0	4,057,986	4,057,986	0	9,927,194	9,927,194	0
0	0	0	65,934	65,934	0	2,438,335	2,438,335	0
0	0	0	0	0	0	570,331	570,331	0
0	0	0	0	0	0	52,932	52,932	0
0	0	0	0	0	0	2,523	2,523	0
0	0	0	0	0	0	248,995	248,995	0
0	0	0	0	0	0	268,005	268,005	0
0	0	0	0	0	0	13,820	13,820	0
467	467	0	0	0	0	628,119	628,119	0
3,606	3,606	0	0	0	0	155,147	155,147	0
0	0	0	21,085	21,085	0	488,707	488,707	0
0	0	0	0	0	0	706,763	706,763	0
0	0	0	0	0	0	7,410	7,410	0
0	0	0	0	0	0	92,893	92,893	0
0	0	0	1,808,251	1,808,251	0	1,808,251	1,808,251	0
68,000	68,000	0	0	0	0	68,000	68,000	0
67,424	67,424	0	0	0	0	67,424	67,424	0
139,497	139,497	0	1,895,270	1,895,270	0	7,617,655	7,617,655	0
(16,929)	(16,929)	0	2,162,716	2,162,716	0	2,309,539	2,309,539	0
0	0	0	0	0	0	800	800	0
0	0	0	0	0	0	21,472	21,472	0
0	0	0	0	0	0	(7,330)	(7,330)	0
0	0	0	0	0	0	18,980	18,980	0
0	0	0	0	0	0	(18,980)	(18,980)	0
0	0	0	300,140	300,140	0	520,062	520,062	0
0	0	0	0	0	0	(555,062)	(555,062)	0
0	0	0	300,140	300,140	0	(20,058)	(20,058)	0
(16,929)	(16,929)	0	2,462,856	2,462,856	0	2,289,481	2,289,481	0
59,944	59,944	0	1,661,202	1,661,202	0	3,029,317	3,029,317	0
0	0	0	65,000	65,000	0	319,443	319,443	0
\$43,015	\$43,015	\$0	\$4,189,058	\$4,189,058	\$0	\$5,638,241	\$5,638,241	\$0

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**Statement of Revenues, Expenses  
and Changes in Retained Earnings  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 1999**

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><u>Operating Revenues:</u></b>			
Sales	\$70,434	\$0	\$70,434
Charges for Services	0	44,497	44,497
<i>Total Operating Revenues</i>	<u>70,434</u>	<u>44,497</u>	<u>114,931</u>
<b><u>Operating Expenses:</u></b>			
Salaries	111,836	0	111,836
Fringe Benefits	46,959	0	46,959
Purchased Services	950	3,312	4,262
Materials and Supplies	14,369	0	14,369
Cost of Sales	128,390	0	128,390
Depreciation	138	0	138
Claims	0	49,430	49,430
Other Operating Expenses	250	0	250
<i>Total Operating Expenses</i>	<u>302,892</u>	<u>52,742</u>	<u>355,634</u>
Operating Loss	<u>(232,458)</u>	<u>(8,245)</u>	<u>(240,703)</u>
<b><u>Non-Operating Revenues:</u></b>			
Federal Donated Commodities	23,385	0	23,385
Interest	16	0	16
Federal and State Subsidies	194,823	0	194,823
<i>Total Non-Operating Revenues</i>	<u>218,224</u>	<u>0</u>	<u>218,224</u>
Net Loss Before Operating Transfers	(14,234)	(8,245)	(22,479)
Operating Transfers - In	<u>35,000</u>	<u>0</u>	<u>35,000</u>
Net Income (Loss)	20,766	(8,245)	12,521
Retained Earnings (Deficit) at Beginning of Year	<u>(12,110)</u>	<u>33,211</u>	<u>21,101</u>
Retained Earnings at End of Year	<u><u>\$8,656</u></u>	<u><u>\$24,966</u></u>	<u><u>\$33,622</u></u>

The notes to the financial statements are an integral part of this statement.

**Statement of Revenues, Expenses and Changes in  
Fund Equity - Budget and Actual (Budget Basis)  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 1999**

	<i>ENTERPRISE FUND</i>			<i>INTERNAL SERVICE FUND</i>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><i>Revenues:</i></b>						
Sales	\$70,434	\$70,434	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	44,497	44,497	0
Interest	16	16	0	0	0	0
Federal and State Subsidies	170,574	170,574	0	0	0	0
<i>Total Revenues</i>	<u>241,024</u>	<u>241,024</u>	<u>0</u>	<u>44,497</u>	<u>44,497</u>	<u>0</u>
<b><i>Expenses:</i></b>						
Salaries	110,828	110,828	0	0	0	0
Fringe Benefits	46,629	46,629	0	0	0	0
Purchased Services	950	950	0	51,808	51,808	0
Materials and Supplies	127,180	127,180	0	0	0	0
Other	250	250	0	0	0	0
<i>Total Expenses</i>	<u>285,837</u>	<u>285,837</u>	<u>0</u>	<u>51,808</u>	<u>51,808</u>	<u>0</u>
Excess of Revenues Under Expenses	(44,813)	(44,813)	0	(7,311)	(7,311)	0
Operating Transfers - In	35,000	35,000	0	0	0	0
Excess of Revenues Under Expenses and Transfers	(9,813)	(9,813)	0	(7,311)	(7,311)	0
Fund Equity at Beginning of Year	7,281	7,281	0	35,709	35,709	0
Prior Year Encumbrances Appropriated	677	677	0	0	0	0
Fund Equity (Deficit) at End of Year	<u>(\$1,855)</u>	<u>(\$1,855)</u>	<u>\$0</u>	<u>\$28,398</u>	<u>\$28,398</u>	<u>\$0</u>

The notes to the financial statements are an integral part of this statement.

**Statement of Cash Flows**  
**All Proprietary Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$70,434	\$0	\$70,434
Cash Received from Quasi-External Transactions with Other Funds	0	44,497	44,497
Cash Payments to Suppliers for Goods and Services	(120,253)	(3,312)	(123,565)
Cash Payments to Employees for Services	(110,828)	0	(110,828)
Cash Payments for Employee Benefits	(46,629)	0	(46,629)
Cash Payments for Claims	0	(48,496)	(48,496)
Cash Payments for Other Operating Expenses	(250)	0	(250)
Net Cash Used for Operating Activities	<u>(207,526)</u>	<u>(7,311)</u>	<u>(214,837)</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Operating Grants Received	170,574	0	170,574
Operating Transfers - In	35,000	0	35,000
Net Cash Provided by Noncapital Financing Activities	<u>205,574</u>	<u>0</u>	<u>205,574</u>
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest	16	0	16
Net Decrease in Cash and Cash Equivalents	(1,936)	(7,311)	(9,247)
Cash and Cash Equivalents at Beginning of Year	7,958	35,709	43,667
Cash and Cash Equivalents at End of Year	<u>\$6,022</u>	<u>\$28,398</u>	<u>\$34,420</u>
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>			
Operating Loss	<u>(\$232,458)</u>	<u>(\$8,245)</u>	<u>(\$240,703)</u>
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>			
Depreciation	138	0	138
Donated Commodities Used During Year	23,385	0	23,385
Changes in Assets and Liabilities:			
Increase in Materials and Supplies Inventory	(31)	0	(31)
Increase in Inventory Held for Resale	(321)	0	(321)
Increase in Accounts Payable	423	0	423
Increase in Accrued Wages and Benefits	772	0	772
Increase in Claims Payable	0	934	934
Increase in Intergovernmental Payable	261	0	261
Increase in Compensated Absences Payable	305	0	305
Total Adjustments	<u>24,932</u>	<u>934</u>	<u>25,866</u>
Net Cash Used for Operating Activities	<u>(\$207,526)</u>	<u>(\$7,311)</u>	<u>(\$214,837)</u>

The notes to the financial statements are an integral part of this statement.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

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

The School District was established in 1960 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 107 square miles. It is located in Pike County, and includes all of the Villages of Beaver and Stockdale and portions of Marion, Union, and East Jackson Townships in Pike County, Madison Township in Scioto County and Liberty Township in Jackson County. The School District is the 486<sup>th</sup> largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 46 non-certificated employees, 68 certificated full-time teaching personnel, and 6 administrators who provide services to 1,045 students and other community members. The School District currently operates three instructional buildings.

*Reporting Entity:*

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

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

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

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

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

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

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

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

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

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

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

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

*Governmental Fund Types:*

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

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

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

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

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

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

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

*Proprietary Fund Types:*

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

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

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

*Fiduciary Fund Type:*

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

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

*Account Groups:*

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

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

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

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

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, interest, and grants.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

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

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

*Tax Budget:*

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



Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

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

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. At year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, 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. During the year, two supplemental appropriations were legally enacted; however, neither of these amendments were significant.

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

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

*Encumbrances:*

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

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Retainage held until the completion of major construction projects is held in separate bank accounts and presented as "Cash and Cash Equivalents with Fiscal Agents."

During fiscal year 1999, investments were limited to a NOW interest-bearing checking account and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$112,663, which includes \$43,578, assigned from other School District funds. The capital projects funds and the enterprise fund also earned interest in the amounts of \$60,764 and \$16, respectively.

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

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

**E. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**F. Inventory**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Fixed Assets and Depreciation**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

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

**I. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement 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. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

*Entitlements*

*General Fund*

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Reimbursement

*Non-Reimbursable Grants*

*Special Revenue Funds*

Title I	Title VI
Title VI-B	Drug-Free Schools
Professional Development Block Grant	Goals 2000
School Net Technology Equity	Textbook Subsidy
Effective School Grant	School-to-work Grant
Disadvantaged Pupil Impact Aid	Performance Incentive Grant
Education Management Information Systems	Venture Capital Grant

*Capital Projects Funds*

School Net	School Net Plus
Technology Equity	Video Distance Learning

*Reimbursable Grants*

*General Fund*

Driver Education

*Proprietary Funds*

National School Lunch Program  
National School Breakfast Program  
Government Donated Commodities

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

Grants and entitlements received in governmental funds amounted to approximately 90.83 percent of governmental fund revenue during the 1999 fiscal year.

**J. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

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

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

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

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

**M. Interfund Transactions**

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

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

**N. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**O. Estimates**

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

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

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

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE**

*GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"* provides accounting for deferred compensation plans. The School District participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability - Fund Equity Deficits**

At June 30, 1999, the Disadvantaged Pupil Impact Aid and Title I Special Revenue Funds have deficit fund balances of \$36,513 and \$67,363, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

**Excess of Appropriations Over Estimated Resources Plus Unencumbered Cash**

<u>Fund Type / Name</u>	<u>Estimated Resources and Unencumbered Cash</u>	<u>Appropriations</u>	<u>Excess</u>
Enterprise			
Food Service	<u>\$283,982</u>	<u>\$285,837</u>	<u>(\$1,855)</u>

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

Eastern Local School District  
Notes to the General Purpose Financial Statements  
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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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

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

Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
GAAP Basis	(\$32,387)	(\$35,659)	(\$8,387)	\$2,430,981
Revenue Accruals	(9,370)	42,907	(8,542)	(12,748)
Expenditure Accruals	59,420	(12,715)	0	222,812
Advances	(5,010)	5,010	0	0
Encumbrances	(152,245)	(16,397)	0	(178,189)
Budget Basis	<u>(\$139,592)</u>	<u>(\$16,854)</u>	<u>(\$16,929)</u>	<u>\$2,462,856</u>

Net Income (Loss) / Excess of Revenues Under Expenses and Transfers All Proprietary Fund Types		
	Enterprise	Internal Service
	<u>          </u>	<u>          </u>
GAAP Basis	\$20,766	(\$8,245)
Revenue Accruals	(24,249)	0
Expense Accruals	1,409	934
Depreciation Expense	138	0
Encumbrances	(7,877)	0
Budget Basis	<u>(\$9,813)</u>	<u>(\$7,311)</u>



Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$6,063,590 and the bank balance was \$6,084,000. Of the bank balance, \$200,000 was covered by federal depository insurance and \$5,884,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

At June 30, 1999, the School District had no outstanding investments.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 1999 real property taxes are collected in and intended to finance fiscal year 2000.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

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

Manufactured Home Tax, commonly referred to as House Trailer Tax, is based on the purchase price obtained from the title: (1) ninety-five percent unfurnished or (2) eighty percent furnished with a five percent drop each year.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 7 - PROPERTY TAXES** (continued)

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$17,336,660	74.78%	\$21,485,360	75.03%
Public Utility	4,919,270	21.22%	6,129,560	21.41%
Tangible Personal Property	927,450	4.00%	1,019,098	3.56%
Total Assessed Value	<u>\$23,183,380</u>	<u>100.00%</u>	<u>\$28,634,018</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.51		\$33.51	

**NOTE 8- RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Drivers' Education	<u>\$900</u>
Special Revenue Funds:	
Athletics	84
Title VI-B	<u>708</u>
Total Special Revenue Funds	<u>792</u>
Enterprise Fund:	
Food Service	<u>24,249</u>
Total Intergovernmental Receivables	<u><u>\$25,941</u></u>

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$128,880
Less Accumulated Depreciation	<u>(116,497)</u>
Net Fixed Assets	<u><u>\$12,383</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$558,318	\$0	\$0	\$558,318
Buildings and Improvements	1,822,130	0	0	1,822,130
Furniture, Fixtures and Equipment	1,736,816	68,935	0	1,805,751
Vehicles	909,729	127,920	0	1,037,649
Sewage Plant	13,131	0	0	13,131
Construction in Progress	<u>0</u>	<u>1,990,350</u>	<u>0</u>	<u>1,990,350</u>
Totals	<u><u>5,040,124</u></u>	<u><u>\$2,187,205</u></u>	<u><u>\$0</u></u>	7,227,329
Less Accumulated Depreciation				<u>(3,368,793)</u>
Total General Fixed Assets				<u><u>\$3,858,536</u></u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Lorbach Insurance Company and Nationwide Mutual Insurance Company for property and fleet insurance, professional liability insurance and professional liability insurance coverage. Coverages provided are as follows:

Building and Contents-80% Co-insurance (\$1,000 deductible)	\$4,594,656
Boiler and Machinery-80% Co-insurance (\$1,000 deductible)	4,265,724
Crime Insurance	2,000
Automobile Liability	300,000
Uninsured Motorists	300,000
Professional Liability (aggregate limit)	5,000,000
Public Official Bonds	
Treasurer	3,000
Board President	20,000
Blanket bond	5,000

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

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

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Dental insurance is offered to employees through a self-insurance internal service fund. Coresource is the School District's third party administrator who informs the District of claim payments needed each week. Coresource provides an actuarial study each year and advises the District as to any change needed in premium payments to the internal service fund. The claims liability of \$3,432 reported in the internal service fund at June 30, 1999 is based on an estimate provided by Coresource and the requirements of *GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues"*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1998	\$2,241	\$42,396	\$42,139	\$2,498
1999	2,498	49,430	48,496	3,432

Eastern Local School District  
Notes to the General Purpose Financial Statements  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$59,584, \$76,610 and \$81,146, respectively; 47.25 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$31,429 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$145,585, \$232,636 and \$276,617, respectively; 80.81 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$27,941 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$194,113 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$52,529.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.



Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators, with the exception of the Superintendent and Treasurer, do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement and after being employed in the District for twenty years, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 41 days.

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

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

**C. Deferred Compensation**

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

For fiscal year 1999, the School District implemented *GASB Statement No. 32, "Deferred Compensation Plans"*. This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Obligations Outstanding 6/30/98	Additions	Deductions	Obligations Outstandin g 6/30/99
1998 School Improvement General Obligation Bonds	\$1,423,000	\$0	\$68,000	\$1,355,000
Pension Obligation	36,867	41,464	36,867	41,464
Compensated Absences	187,161	39,604	0	226,765
Total General Long-Term Obligations	<u>\$1,647,028</u>	<u>\$81,068</u>	<u>\$104,867</u>	<u>\$1,623,229</u>

Pension obligations and compensated absences will be paid from the fund from which the employee is paid.

The 1998 School Improvement General Obligation bonds were issued in the amount of \$1,423,000 on June 4, 1998 as a result of the School District being approved for a \$22,326,111 school facilities loan through the State Department of Education for the construction of a K-12 facility. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loan. As a requirement of the loan, the School District was required to pass a 3.5 mill levy. The 3.5 mill levy, of which .5 mill was to be used for the retirement of the loan, with the balance of 3.0 mills to be used for the retirement of the 1998 bond issue, will be in effect for twenty-three years.

Eastern Local School District was notified by the Ohio School Facilities Commission that they will not be responsible for repaying the \$22,326,111 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 601 out of 611 schools) is less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

Principal and interest requirements to retire general obligation debt at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$40,000	\$68,050	\$108,050
2001	40,000	66,380	106,380
2002	40,000	64,660	104,660
2003	40,000	62,910	102,910
2004	40,000	61,140	101,140
2005-2009	245,000	273,955	518,955
2010-2014	310,000	202,047	512,047
2015-2019	405,000	101,750	506,750
2020-2021	195,000	9,875	204,875
Total	<u>\$1,355,000</u>	<u>\$910,767</u>	<u>\$2,265,767</u>

The School District's overall legal debt margin was \$1,274,450 with an unvoted debt margin of \$28,634 at June 30, 1999.

**NOTE 15 - CONTRACTUAL COMMITMENTS**

As of June 30, 1999, the School District had contractual purchase commitments for the construction of a new K-12 facility as follows:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/99
George Igel & Company	\$710,039	\$687,322	\$22,717
Gilbane	1,048,500	227,740	820,760
Tanner, Stone and Co.	1,394,434	989,530	404,904
Total	<u>\$3,152,973</u>	<u>\$1,904,592</u>	<u>\$1,248,381</u>

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 16 - INTERFUND ACTIVITY**

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivable	Payable
General Fund	\$11,995	\$0
Special Revenue Fund:		
Title I	0	11,995
Total All Funds	\$11,995	\$11,995

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid SCOCA \$4,300 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$518 to the Coalition for services provided during the year.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
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**NOTE 18 - GROUP PURCHASING POOL**

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

**NOTE 19 - SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$3,631,986 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had been approved for a total of \$22,326,111 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

**A. TEXTBOOKS AND INSTRUCTIONAL MATERIALS**

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$67,792	
Qualifying expenditures made during the year	(15,120)	
Amount of offsets for the year	0	
Total		52,672
Balance of set-aside to be carried forward to next year		\$52,672

**B. CAPITAL IMPROVEMENTS**

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$67,792	
Qualifying expenditures made during the year	(12,896)	
Amount of offsets for the year	0	
Total		54,896
Balance of set-aside to be carried forward to next year		\$54,896

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (continued)

**C. BUDGET STABILIZATION**

Set-aside balance carried forward from the prior year (Workers' Compensation refund)		\$29,239
Current year set-aside requirement	\$33,896	
Workers' Compensation refund received during the year	0	
Total		33,896
Balance of set-aside to be carried forward to next year		\$63,135

**D. SCHOOL BUS PURCHASES**

Balance carried forward from the prior year		\$92,084
Current year amount received	\$52,319	
Qualifying expenditures made during the year	(106,571)	
Total		(54,252)
Balance to be carried forward to next year		\$37,832

**NOTE 21 - 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, 1999.

**B. Litigation**

The School District is party to legal proceedings. A case outstanding at June 30, 1999 involved a bus driver who filed a claim in the Pike County Common Pleas Court because he did not receive a job that he bid on. The School District is of the opinion that ultimate disposition of this and any other claims will not have a material effect, if any, on the financial condition of the School District.

Eastern Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 22 - YEAR 2000 COMPLIANCE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations.

The School District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting School District operations.

- S      The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems and any associated costs.
  
- S      The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems and any associated costs.
  
- S      Pike County distributes a substantial sum of money to the School District in the form of taxes. The County is responsible for remediating these systems and any associated costs.
  
- S      The Eastern Local School District has contracted with Rick Wagner and Co. in the amount of \$3,500, to determine if the companies that the School District deals with are Y2K compliant. To date, letters have been sent to all vendors who were determined to be mission critical. We have received replies from most of the companies and reminders were sent to the others. Mr. Wagner has not yet completed his evaluation.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School does business will be year 2000 ready.



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**EASTERN LOCAL SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>Agency/Program/Grant</u>	<u>Pass Through Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non- Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<u>U.S. Department of Agriculture</u>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program		10.550	\$ 0	\$24,239	0	\$21,384
School Breakfast Program	05-PU-98/99	10.553	38,609	0	38,609	0
National School Lunch Program	03-PU-98/99	10.555	19,062	0	19,062	0
	04-PU-98/99		<u>102,296</u>	<u>0</u>	<u>102,296</u>	<u>0</u>
Total National School Lunch			<u>121,358</u>	<u>0</u>	<u>121,358</u>	<u>0</u>
Total U.S. Department of Agriculture Nutrition Cluster			159,967	24,239	159,967	21,384
<u>U.S. Department of Labor</u>						
School-To-Work Grant						
Pass Through Ohio Department of Education	WK-BE 99	17.249	4,505	0	4,335	0
Passed through Scioto County Joint Vocational School from the State Department of Education		17.249	<u>3,000</u>	<u>0</u>	<u>7,544</u>	<u>0</u>
Total U.S. Department of Labor School-To-Work Grant			7,505	0	11,879	0
<u>U.S. Department of Education</u>						
Passed through State Department of Education:						
Educationally Deprived Children - Local Educational Agencies Title I	C1-S1-98/99	84.010	308,836	0	406,211	0
Handicapped - State Grants (Part B, Education of the Handicapped Act)	6B-SF-99P	84.027	55,987	0	51,948	0
Drug Free Schools and Communities Grant	DR-S1-99	84.186	13,805	0	5,503	0
Goals 2000 Grant	G2-S1-99	84.276	40,500	0	15,905	0
Eisenhower Professional Development Grant	MS-S1-99	84.281	8,464	0	6,251	0
Innovative Education Program Strategy Title VI	C2-S1-99	84.298	<u>3,872</u>	<u>0</u>	<u>3,607</u>	<u>0</u>
Total U.S. Department of Education			<u>431,464</u>	<u>0</u>	<u>489,425</u>	<u>0</u>
Total Federal Financial Assistance			<u>\$598,936</u>	<u>\$24,239</u>	<u>\$661,271</u>	<u>\$21,384</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this schedule.

**EASTERN LOCAL SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS  
RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

**Note A - Significant Accounting Policies**

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

**Note B - Food Distribution**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999 the School District had no significant food commodities in inventory.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street  
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Athens, Ohio 43701

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800-441-1389

Facsimile 740-594-2110

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

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Eastern Local School District, Pike County, (the School District) as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated December 7, 1999, in which we indicated that the School District had changed its method of accounting for deferred compensation. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Eastern Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated December 7, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Eastern Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 7, 1999.

Eastern Local School District  
Pike County  
Report of Independent Accountants on Compliance and on Internal  
Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 7, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

**Compliance**

We have audited the compliance of Eastern Local School District, Pike County, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 1999. Eastern Local School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Eastern Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 1999.

**Internal Control Over Compliance**

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

**Internal Control Over Compliance  
(Continued)**

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 7, 1999



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

**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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The audit of Eastern Local School District, Pike County, for the fiscal year ending June 30, 1999 contained no findings that are required to be reported in accordance with GAGAS.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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The audit of Eastern Local School District, Pike County, for the fiscal year ending June 30, 1999 contained no findings for federal awards.





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OFFICE OF THE AUDITOR

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**EASTERN LOCAL SCHOOL DISTRICT**

**PIKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 25, 2000**