



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

Board of Education
Eastern Local School District
1170 Tile Mill Road
Beaver, Ohio 45613

We have reviewed the *Independent Auditor's Report* of the Eastern Local School District, Pike County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 28, 2013

This page intentionally left blank.

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

| <u>TITLE</u> | <u>PAGE</u> |
|---|-------------|
| Independent Auditor’s Report..... | 1 |
| Management’s Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets – Cash Basis | 10 |
| Statement of Activities – Cash Basis | 11 |
| Fund Financial Statements: | |
| Statement of Assets and Fund Balances – Cash Basis – Governmental Funds..... | 12 |
| Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities | 13 |
| Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds..... | 14 |
| Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 15 |
| Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis - General Fund..... | 16 |
| Statement of Fund Net Assets – Cash Basis – Proprietary Fund | 17 |
| Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets – Cash Basis – Proprietary Fund | 18 |
| Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Fund..... | 19 |
| Notes to the Basic Financial Statements | 20 |
| Schedule of Federal Awards Receipts and Expenditures | 38 |
| Notes to the Schedule of Federal Awards Receipts and Expenditures | 39 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i> | 40 |
| Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 | 42 |
| Schedule of Findings OMB Circular A-133 Section §.505..... | 44 |
| Schedule of Prior Audit Findings OMB Circular A-133 Section §.315(b) | 46 |

This page intentionally left blank.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Auditor's Report

Members of the Board of Education
Eastern Local School District
1170 Tile Mill Road
Beaver, Ohio 45613

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Pike County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eastern Local School District, Pike County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However, these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
December 14, 2012

Eastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

As management of Eastern Local School District, we offer the readers of the District's basic financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Net assets of governmental activities increased \$53,879.

General cash receipts accounted for \$7,321,397 or 78 percent of all total receipts. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$2,099,906 or 22 percent of total cash receipts of \$9,421,303.

The District had \$9,367,424 in cash disbursements related to governmental activities; only \$2,099,906 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions. General cash receipts (primarily grants, entitlements, and property taxes) of \$7,321,397 were adequate to provide for these programs.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

REPORT COMPONENTS

The statement of net assets and statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

BASIS OF ACCOUNTING

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Eastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during 2012, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the District has one type of activity: governmental.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net assets and statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The District's proprietary fund is an internal service fund used to account for insurance services provided to other departments or agencies of the District, or to other government units, on a cost reimbursement basis.

Eastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The District has one fiduciary fund: an agency fund used to account for student activity programs. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

THE DISTRICT AS A WHOLE

Recall that the statement of net assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2012 and 2011.

(Table 1)
Net Assets

| | Governmental Activities | |
|--------------------------|-------------------------|-------------|
| | 2012 | 2011 |
| Assets | | |
| Current and Other Assets | \$2,902,040 | \$2,848,161 |
| Total Assets | 2,902,040 | 2,848,161 |
| Net Assets | | |
| Restricted | 875,234 | 1,180,456 |
| Unrestricted | 2,026,806 | 1,667,705 |
| Total Net Assets | \$2,902,040 | \$2,848,161 |

Total net assets increased \$53,879 from 2011 to 2012 due to cash receipts in excess of cash disbursements.

Table 2 shows the highlights of the District's cash receipts and cash disbursements. These two main components are subtracted to yield the change in net assets.

Cash receipts is further divided into two major components: program cash receipts and general cash receipts. Program cash receipts are defined as charges for services and sales, capital and operating grants, and contributions. General cash receipts include property taxes, unrestricted grants, such as State foundation support, unrestricted contributions, investment earnings and miscellaneous receipts.

Cash disbursements are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

Eastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

(Table 2)
Changes in Net Assets

| | Governmental Activities | |
|--|-------------------------|-------------|
| | 2012 | 2011 |
| Cash Receipts | | |
| Program Cash Receipts | | |
| Charges for Services and Sales | \$601,103 | \$568,150 |
| Operating Grants and Contributions | 1,498,803 | 1,859,918 |
| Total Program Cash Receipts | 2,099,906 | 2,428,068 |
| General Cash Receipts | | |
| Property Taxes | 1,080,037 | 1,014,232 |
| Grants and Entitlements not Restricted to Specific Programs | 6,188,337 | 5,881,130 |
| Investment Earnings | 12,813 | 23,515 |
| Gifts and Donations | 0 | 550 |
| Refunding Bonds Issued | 0 | 525,000 |
| Miscellaneous | 40,210 | 120,887 |
| Total General Cash Receipts | 7,321,397 | 7,565,314 |
| Total Cash Receipts | \$9,421,303 | \$9,993,382 |

Total cash receipts decreased by \$572,079 from 2011 to 2012 primarily due to a decrease in operating grants and contributions, miscellaneous receipts and the issuance of new debt in 2011. This was partially offset by an increase to unrestricted grants and entitlements and charges for services and sales.

Eastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

(Table 2)
 Changes in Net Assets
 (continued)

| | Governmental Activities | |
|---|-------------------------|----------------------|
| | 2012 | 2011 |
| Program Cash Disbursements | | |
| Instruction: | | |
| Regular | \$3,511,450 | \$3,482,169 |
| Special | 593,057 | 866,272 |
| Vocational | 62,845 | 59,222 |
| Other | 1,117,443 | 1,112,172 |
| Support Services: | | |
| Pupils | 244,071 | 279,651 |
| Instructional Staff | 422,753 | 161,638 |
| Board of Education | 25,774 | 21,959 |
| Administration | 620,467 | 686,346 |
| Fiscal | 238,766 | 233,444 |
| Operation and Maintenance of Plant | 784,543 | 732,781 |
| Pupil Transportation | 745,311 | 620,998 |
| Central | 313,076 | 330,696 |
| Operation of Non-Instructional Services | 403,893 | 347,470 |
| Extracurricular Activities | 127,858 | 154,994 |
| Capital Outlay | 16,676 | 68,641 |
| Debt Service: | | |
| Principal | 96,836 | 606,115 |
| Interest and Fiscal Charges | 42,605 | 41,417 |
| Total Cash Disbursements | <u>9,367,424</u> | <u>9,805,985</u> |
| Change in Net Assets | 53,879 | 187,397 |
| Net Assets, Beginning of Year | <u>2,848,161</u> | <u>2,660,764</u> |
| Net Assets, End of Year | <u>\$2,902,040</u> | <u>\$2,848,161</u> |

Total cash disbursements decreased \$438,561 from 2011 to 2012. Cash disbursements for principal debt service decreased \$509,279 from 2011 to 2012 due primarily to the refunding of school improvement bonds in the amount of \$525,000 in 2011. Cash disbursements for special instruction decreased due primarily to a decrease special education funding. Cash disbursements for instructional staff increased due to the reclassification of disbursements for certain employee salaries and benefits between years.

Governmental Activities

Grants and entitlements not restricted to specific programs made up 66 percent of cash receipts for governmental activities of the District for fiscal year 2012. Property tax receipts made up 11 percent of the total cash receipts for governmental activities for a total of 77 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 37 percent of governmental program cash disbursements. Support services disbursements make up 36 percent of governmental cash disbursements.

Eastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

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

(Table 3)
Governmental Activities

| | Total Cost of Services 2012 | Net Cost of Services 2012 | Total Cost of Services 2011 | Net Cost of Services 2011 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Instruction | \$5,284,795 | \$4,096,739 | \$5,519,835 | \$3,907,529 |
| Support Services | 3,394,761 | 2,910,067 | 3,067,513 | 2,718,044 |
| Operation of Non-Instructional Services | 403,893 | 26,935 | 347,470 | (74,848) |
| Extracurricular Activities | 127,858 | 77,660 | 154,994 | 111,019 |
| Capital Outlay | 16,676 | 16,676 | 68,641 | 68,641 |
| Principal | 96,836 | 96,836 | 606,115 | 606,115 |
| Interest and Fiscal Charges | 42,605 | 42,605 | 41,417 | 41,417 |
| Total Cash Disbursements | <u>\$9,367,424</u> | <u>\$7,267,518</u> | <u>\$9,805,985</u> | <u>\$7,377,917</u> |

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$9,434,557 and cash disbursements and other financing uses of \$9,333,724. The most significant change in fund balance was in the general fund.

For the general fund, receipts increased \$307,596, primarily due to an increase in State foundation funding, which was partially offset by a decrease in miscellaneous receipts. Disbursements increased \$59,694 due to an increase in instructional staff and pupil transportation disbursements, which was partially offset by a decrease in special instruction.

For the bond retirement fund, property tax and intergovernmental receipts decreased only slightly, but cash disbursements decreased significantly due to the issuance of \$525,000 in refunding bonds that repaid a portion of existing school improvement bonds in 2011. Cash receipts exceeded cash disbursements resulting in the increase in fund balance in the amount of \$34,705.

General Fund - Budget Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2012, the District revised its budget several times.

For fiscal year 2012, the District filed an amended certificate of estimated resources. For the general fund, final estimated receipts were \$7,619,348, with original estimated receipts of \$7,637,289. Actual receipts were \$7,619,348, which was consistent with final estimated receipts.

At the end of fiscal year 2012, the District filed an amended appropriations resolution. This resulted in the general fund's final appropriations decreasing \$132,124 from the original appropriations. Actual disbursements were \$7,363,472, which is equal to final appropriations.

Eastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Capital Assets

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had capital outlay disbursements of \$16,676 during fiscal year 2012.

Debt

Under the cash basis of accounting the District does not report bonds in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds. At June 30, 2012, the District had \$1,084,801 in general obligation bonds, including accretion on capital appreciation bonds of \$7,752. For additional information regarding debt, see Note 9 to the basic financial statements. Table 4 summarizes the outstanding debt:

(Table 4)
Outstanding Debt, at Year End
Governmental Activities

| | <u>2012</u> | <u>2011</u> |
|--|--------------------|--------------------|
| 1998 School Improvement General Obligation Bonds | \$210,000 | \$270,000 |
| 2010 Energy Conservation Improvements Bonds | 357,049 | 378,885 |
| 2011 School Improvement Refunding Bonds | <u>517,752</u> | <u>528,580</u> |
| Total | <u>\$1,084,801</u> | <u>\$1,177,465</u> |

The School District's overall legal debt margin was \$4,858,466 with an unvoted debt margin of \$56,073 at June 30, 2012.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Rodney Schilling, Treasurer at Eastern Local School District, 1170 Tile Mill Road, Beaver, Ohio 45613.

Eastern Local School District
Statement of Net Assets - Cash Basis
As of June 30, 2012

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$2,900,544 |
| Restricted Cash and Cash Equivalents | 1,496 |
| <i>Total Assets</i> | 2,902,040 |
| Net Assets | |
| Restricted for: | |
| Capital Projects | 90,844 |
| Debt Service | 531,930 |
| Other Purposes | 250,964 |
| Set-Asides | 1,496 |
| Unrestricted | 2,026,806 |
| <i>Total Net Assets</i> | \$2,902,040 |

See accompanying notes to the basic financial statements

Eastern Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2012

| | | Program Cash Receipts | | Net (Cash Disbursements) Cash Receipts and Changes in Net Assets |
|---|-----------------------|-----------------------------------|---------------------------------------|--|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$3,511,450 | \$169,551 | \$776,467 | (\$2,565,432) |
| Special | 593,057 | 34,718 | 54,071 | (504,268) |
| Vocational | 62,845 | 32 | 64,936 | 2,123 |
| Other | 1,117,443 | 69,543 | 18,738 | (1,029,162) |
| Support Services: | | | | |
| Pupils | 244,071 | 35,954 | 635 | (207,482) |
| Instructional Staff | 422,753 | 15,294 | 183,024 | (224,435) |
| Board of Education | 25,774 | 1,630 | 0 | (24,144) |
| Administration | 620,467 | 40,256 | 53,444 | (526,767) |
| Fiscal | 238,766 | 14,700 | 0 | (224,066) |
| Operation and Maintenance of Plant | 784,543 | 38,046 | 12,202 | (734,295) |
| Pupil Transportation | 745,311 | 53,873 | 0 | (691,438) |
| Central | 313,076 | 18,775 | 16,861 | (277,440) |
| Operation of Non-Instructional Services | 403,893 | 58,580 | 318,378 | (26,935) |
| Extracurricular Activities | 127,858 | 50,151 | 47 | (77,660) |
| Capital Outlay | 16,676 | 0 | 0 | (16,676) |
| Debt Service | | | | |
| Principal | 96,836 | 0 | 0 | (96,836) |
| Interest and Fiscal Charges | 42,605 | 0 | 0 | (42,605) |
| Total Governmental Activities | \$9,367,424 | \$601,103 | \$1,498,803 | (7,267,518) |
| General Cash Receipts | | | | |
| Property Taxes Levied for: | | | | |
| General Purposes | | | | 941,491 |
| Debt Service | | | | 122,355 |
| Classroom Facilities Maintenance | | | | 16,191 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 6,188,337 |
| Investment Earnings | | | | 12,813 |
| Miscellaneous | | | | 40,210 |
| Total General Cash Receipts | | | | 7,321,397 |
| <i>Change in Net Assets</i> | | | | 53,879 |
| <i>Net Assets Beginning of Year</i> | | | | 2,848,161 |
| <i>Net Assets End of Year</i> | | | | \$2,902,040 |

See accompanying notes to the basic financial statements.

Eastern Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
As of June 30, 2012

| | General Fund | Bond Retirement Fund | All Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-------------------------|------------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,800,967 | \$531,930 | \$334,623 | \$2,667,520 |
| Restricted Cash and Cash Equivalents | 1,496 | 0 | 0 | 1,496 |
| <i>Total Assets</i> | <u>\$1,802,463</u> | <u>\$531,930</u> | <u>\$334,623</u> | <u>\$2,669,016</u> |
| Fund Balances | | | | |
| Restricted for: | | | | |
| Capital Improvements and Maintenance | \$0 | \$0 | \$161,376 | \$161,376 |
| Food Service | 0 | 0 | 118,921 | 118,921 |
| Other Purposes | 0 | 0 | 11,697 | 11,697 |
| Set-Asides | 1,496 | 0 | 0 | 1,496 |
| Instructional Services | 0 | 0 | 19,578 | 19,578 |
| Special Education | 0 | 0 | 3,099 | 3,099 |
| Extracurricular Activities | 0 | 0 | 19,952 | 19,952 |
| Debt Service | 0 | 531,930 | 0 | 531,930 |
| Committed for: | | | | |
| Capital Improvements and Maintenance | 42,642 | 0 | 0 | 42,642 |
| Other Purposes | 2,538 | 0 | 0 | 2,538 |
| Assigned to: | | | | |
| Other Purposes | 32,937 | 0 | 0 | 32,937 |
| Unassigned | 1,722,850 | 0 | 0 | 1,722,850 |
| <i>Total Fund Balances</i> | <u>\$1,802,463</u> | <u>\$531,930</u> | <u>\$334,623</u> | <u>\$2,669,016</u> |

See accompanying notes to the basic financial statements

Eastern Local School District
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
As of June 30, 2012*

Total Governmental Fund Balances \$2,669,016

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

An internal service fund is used by management to charge the cost of insurance to individuals. The cash and cash equivalents of the internal service fund are included in governmental activities in the statement of net assets.

233,024

Net Assets of Governmental Activities

\$2,902,040

See accompanying notes to the basic financial statements.

Eastern Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2012

| | General Fund | Bond Retirement Fund | All Other Governmental Funds | Total Governmental Funds |
|--|---------------------------|-------------------------|------------------------------------|--------------------------------|
| Cash Receipts | | | | |
| Property Taxes | \$941,491 | \$122,355 | \$16,191 | \$1,080,037 |
| Intergovernmental | 6,165,205 | 23,250 | 1,495,993 | 7,684,448 |
| Interest | 12,813 | 0 | 0 | 12,813 |
| Tuition and Fees | 392,544 | 0 | 0 | 392,544 |
| Rent | 8,100 | 0 | 0 | 8,100 |
| Extracurricular Activities | 16,895 | 0 | 50,416 | 67,311 |
| Gifts and Donations | 692 | 0 | 2,000 | 2,692 |
| Customer Sales and Services | 67,078 | 0 | 66,070 | 133,148 |
| Miscellaneous | 39,195 | 0 | 1,015 | 40,210 |
| <i>Total Cash Receipts</i> | <u>7,644,013</u> | <u>145,605</u> | <u>1,631,685</u> | <u>9,421,303</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,676,247 | 0 | 788,249 | 3,464,496 |
| Special | 549,011 | 0 | 44,046 | 593,057 |
| Vocational | 510 | 0 | 62,335 | 62,845 |
| Other | 1,099,706 | 0 | 17,737 | 1,117,443 |
| Support Services: | | | | |
| Pupils | 244,071 | 0 | 0 | 244,071 |
| Instructional Staff | 241,854 | 0 | 180,899 | 422,753 |
| Board of Education | 25,774 | 0 | 0 | 25,774 |
| Administration | 553,639 | 0 | 66,828 | 620,467 |
| Fiscal | 232,462 | 5,575 | 729 | 238,766 |
| Operation and Maintenance of Plant | 566,136 | 0 | 218,407 | 784,543 |
| Pupil Transportation | 738,234 | 0 | 7,077 | 745,311 |
| Central | 296,897 | 0 | 16,179 | 313,076 |
| Operation of Non-Instructional Services | 0 | 0 | 403,893 | 403,893 |
| Extracurricular Activities | 85,306 | 0 | 42,552 | 127,858 |
| Capital Outlay | 16,676 | 0 | 0 | 16,676 |
| Debt Service: | | | | |
| Principal | 21,836 | 75,000 | 0 | 96,836 |
| Interest and Fiscal Charges | 12,280 | 30,325 | 0 | 42,605 |
| <i>Total Cash Disbursements</i> | <u>7,360,639</u> | <u>110,900</u> | <u>1,848,931</u> | <u>9,320,470</u> |
| <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i> | <u>283,374</u> | <u>34,705</u> | <u>(217,246)</u> | <u>100,833</u> |
| Other Financing Sources and Uses | | | | |
| Transfers In | 0 | 0 | 13,254 | 13,254 |
| Transfers Out | 0 | 0 | (13,254) | (13,254) |
| <i>Total Other Financing Sources and Uses</i> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | 283,374 | 34,705 | (217,246) | 100,833 |
| <i>Fund Balances at Beginning of Year</i> | <u>1,519,089</u> | <u>497,225</u> | <u>551,869</u> | <u>2,568,183</u> |
| <i>Fund Balances at End of Year</i> | <u><u>\$1,802,463</u></u> | <u><u>\$531,930</u></u> | <u><u>\$334,623</u></u> | <u><u>\$2,669,016</u></u> |

See accompanying notes to the basic financial statements

Eastern Local School District
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds \$100,833

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

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipt (disbursement) of the internal service fund is allocated among the governmental activities. (46,954)

Net Change in Net Assets of Governmental Activities \$53,879

See accompanying notes to the basic financial statements

Eastern Local School District
*Statement of Receipts, Disbursements and Change
in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2012*

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---------------------------|---------------------------|---------------------------|-------------------------------|
| Receipts | | | | |
| Property Taxes | \$916,895 | \$941,491 | \$941,491 | \$0 |
| Intergovernmental | 6,169,469 | 6,165,205 | 6,165,205 | 0 |
| Interest | 20,000 | 12,813 | 12,813 | 0 |
| Tuition and Fees | 366,410 | 392,544 | 392,544 | 0 |
| Rent | 8,100 | 8,100 | 8,100 | 0 |
| Customer Sales and Services | 60,000 | 60,000 | 60,000 | 0 |
| Miscellaneous | 96,415 | 39,195 | 39,195 | 0 |
| <i>Total Receipts</i> | <u>7,637,289</u> | <u>7,619,348</u> | <u>7,619,348</u> | <u>0</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,752,973 | 2,684,474 | 2,684,474 | 0 |
| Special | 589,126 | 549,011 | 549,011 | 0 |
| Vocational | 0 | 510 | 510 | 0 |
| Other | 1,038,035 | 1,099,706 | 1,099,706 | 0 |
| Support Services: | | | | |
| Pupils | 252,163 | 222,055 | 222,055 | 0 |
| Instructional Staff | 211,700 | 242,355 | 242,355 | 0 |
| Board of Education | 22,911 | 25,809 | 25,809 | 0 |
| Administration | 667,995 | 554,871 | 554,871 | 0 |
| Fiscal | 227,487 | 233,598 | 233,598 | 0 |
| Operation and Maintenance of Plant | 605,539 | 581,060 | 581,060 | 0 |
| Pupil Transportation | 702,156 | 738,770 | 738,770 | 0 |
| Central | 299,679 | 296,897 | 296,897 | 0 |
| Extracurricular Activities | 81,716 | 83,564 | 83,564 | 0 |
| Capital Outlay | 10,000 | 16,676 | 16,676 | 0 |
| Debt Service: | | | | |
| Principal | 21,802 | 21,836 | 21,836 | 0 |
| Interest | 12,314 | 12,280 | 12,280 | 0 |
| <i>Total Disbursements</i> | <u>7,495,596</u> | <u>7,363,472</u> | <u>7,363,472</u> | <u>0</u> |
| <i>Excess of Receipts Over Disbursements</i> | <u>141,693</u> | <u>255,876</u> | <u>255,876</u> | <u>0</u> |
| Other Financing Sources and Uses | | | | |
| Transfers In | 0 | 108,102 | 108,102 | 0 |
| Transfers Out | 0 | (108,102) | (108,102) | 0 |
| <i>Total Other Financing Sources and Uses</i> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | 141,693 | 255,876 | 255,876 | 0 |
| <i>Fund Balances at Beginning of Year</i> | 1,468,427 | 1,468,427 | 1,468,427 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | <u>42,684</u> | <u>42,684</u> | <u>42,684</u> | <u>0</u> |
| <i>Fund Balances at End of Year</i> | <u><u>\$1,652,804</u></u> | <u><u>\$1,766,987</u></u> | <u><u>\$1,766,987</u></u> | <u><u>\$0</u></u> |

See accompanying notes to the basic financial statements

Eastern Local School District
Statement of Fund Net Assets - Cash Basis
Proprietary Fund
As of June 30, 2012

| | Governmental Activities - Internal Service Fund |
|--|--|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$233,024</u> |
| <i>Total Assets</i> | <u>233,024</u> |
| Net Assets | |
| Unrestricted | <u>233,024</u> |
| <i>Total Net Assets</i> | <u><u>\$233,024</u></u> |

See accompanying notes to the basic financial statements

Eastern Local School District

Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis

Proprietary Fund

For the Fiscal Year Ended June 30, 2012

| | Governmental Activities - Internal Service Fund |
|---|--|
| Operating Cash Receipts | |
| Charges for Services | <u>\$338,718</u> |
| <i>Total Operating Cash Receipts</i> | <u>338,718</u> |
| Operating Cash Disbursements | |
| Purchased Services | <u>385,672</u> |
| <i>Total Operating Cash Disbursements</i> | <u>385,672</u> |
| <i>Net Change in Net Assets</i> | (46,954) |
| <i>Net Assets at Beginning of Year</i> | <u>279,978</u> |
| <i>Net Assets at End of Year</i> | <u><u>\$233,024</u></u> |

See accompanying notes to the basic financial statements

Eastern Local School District
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
As of June 30, 2012

| | <u>Agency Fund</u> |
|--|-----------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$9,693</u> |
| <i>Total Assets</i> | <u><u>9,693</u></u> |
| Net Assets | |
| Unrestricted | <u>9,693</u> |
| <i>Total Net Assets</i> | <u><u>\$9,693</u></u> |

See accompanying notes to the basic financial statements

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Eastern Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines. The District was established in 1960 through the consolidation of existing land areas and school districts. The District serves an area of approximately 107 square miles. It is located in Pike County, and includes all of the Villages of Beaver and Stockdale and portions of Marion, Union, and East Jackson Townships in Pike County, Madison Township in Scioto County and Liberty Township in Jackson County. It is staffed by 33 noncertificated employees, 53 certificated full-time teaching personnel, and 5 administrators who provide services to 796 students and other community members. The District currently operates one instructional building which houses grades Kindergarten through 12.

Reporting Entity

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

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

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

- Village of Beaver
- Ross-Pike County Educational Service District

The District participates in two organizations, one of which is defined as a jointly governed organization, and one as a group purchasing pool. These organizations are the South Central Ohio Computer Association and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 10 and 11 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis Of Presentation

The District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

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

Fund Financial Statements

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds used by the District can be classified using three categories: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Cash basis assets are assigned to the various governmental funds according to the purpose for which they may or must be used. On a cash basis governmental fund assets equal fund balance. The following are the District's major governmental funds:

General Fund

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

Bond Retirement Fund

The bond retirement fund is a fund provided for the retirement of serial bonds and short term loans. All receipts derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund.

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

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating cash receipts over/(under) cash disbursements, changes in net cash assets, and cash basis financial position. Proprietary funds are classified as enterprise or internal service; the District has no enterprise funds and one internal service fund.

Internal Service Fund

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for the self-insurance program for employee dental claims and to provide self-insurance for health care claims under \$5,000 for single coverage and \$10,000 for family coverage.

Fiduciary Fund

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The District has one fiduciary fund, an agency fund used to account for student activity programs. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

C. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid), and accrued expenses and liabilities are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Cash Receipts – Exchange and Non-Exchange Transactions

Cash receipts resulting from exchange and non-exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the fiscal year in which the resources are received.

Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on disbursements plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education as the fund level; however, the District has chosen to report their budgetary financial statement for the general fund at the function level.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

E. Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2012 amounted to \$12,813.

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 District are presented on the financial statements as cash equivalents.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent cash and cash equivalents legally required to be set-aside by the District for bus purchases.

G. Capital Assets

Capital assets acquired or constructed for the District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported on the basic financial statements.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Interfund Activity

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. Interfund transfers between governmental activities are eliminated in the statement of activities. Flows of cash from one fund to another with a requirement for repayment are reported as advances. Advances between governmental activities are eliminated in the statement of activities. The District did not advance between funds during fiscal year 2012.

I. Compensated Absences

Vacation and sick leave benefits are not accrued under the cash basis of accounting. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees.

J. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned. The District reported no nonspendable fund balances at June 30, 2012.

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

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

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

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

L. Net Assets

Net assets represent the cash basis assets held by the District at year end. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for other purposes is comprised of net assets restricted for grants. The District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available.

At June 30, 2012, the District had \$875,234 in restricted net assets, none of which was restricted by enabling legislation.

M. Operating Cash Receipts and Cash Disbursements

Operating cash receipts are those cash receipts that are generated directly from the primary activity of the proprietary fund. For the District, these cash receipts are charges for services for medical, life, and dental benefits provided to employees. Operating cash disbursements are necessary costs incurred to provide the service that is the primary activity of the fund.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

Protection of the 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.

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

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

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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

As of June 30, 2012, the District’s bank balance of \$2,928,535 is either covered by FDIC or collateralized by the financial institutions’ public entity deposit pools in the manner described above.

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax receipts received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax receipts received during calendar year 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The Pike, Jackson, and Scioto County Treasurers collect property taxes on behalf of all taxing districts within the Counties. The Pike, Jackson, and Scioto County Auditors periodically remit to the taxing districts their portion of the taxes collected.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 4 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2012 taxes were collected are:

| | 2011 Second-Half Collections | | 2012 First-Half Collections | |
|--|------------------------------|----------------|-----------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agriculture/Residential And Other Real Estate | \$44,870,050 | 90.12% | \$51,173,380 | 91.26% |
| Public Utility | 4,739,420 | 9.52% | 4,899,240 | 8.74% |
| Tangible Personal Property | 177,080 | 0.36% | 0 | 0.00% |
| Total Assessed Value | <u>\$49,786,550</u> | <u>100.00%</u> | <u>\$56,072,620</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of Assessed valuation | \$33.36 | | \$35.65 | |

NOTE 5 - RISK MANAGEMENT

The 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 2012, the District contracted with Argonaut Insurance Company for property, fleet, and professional liability insurance coverage. Coverages provided are as follows:

| | |
|--|--------------|
| Building and Contents (\$250 deductible) | \$27,621,000 |
| Boiler and Machinery (\$250 deductible) | 27,621,000 |
| Personal Property (\$250 deductible) | 3,600,000 |
| Automobile Liability | 1,000,000 |
| Uninsured Motorists | 1,000,000 |

During fiscal year 2012, the District contracted with Cincinnati Insurance Company and Western Surety Company for public official bonds as follows:

| | |
|---|----------|
| Treasurer/Superintendent (each) | \$20,000 |
| Blanket bond (Assistant Treasurer and two cashiers) | 5,000 |
| Blanket bond (school organizations and board of education)-public employee dishonesty | 50,000 |

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

For fiscal year 2012, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), a group purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the 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 ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 5 - RISK MANAGEMENT (continued)

The District is self-insured for employee dental insurance. The Self-Insurance Fund pays covered claims to service providers. Interfund rates are charged based on claims approved by the claims administrator. A comparison of Self-Insurance Fund cash to the estimated liability as of June 30 follows:

| | <u>2012</u> | <u>2011</u> |
|-----------------------|-------------|-------------|
| Cash | \$233,024 | \$279,978 |
| Estimated Liabilities | 61,952 | 60,612 |

NOTE 6 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$151,224, \$146,912, and \$164,687, respectively, which equaled the contributions each year.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

For the fiscal years ended June 30, 2012, 2011, and 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$412,386, \$435,322, and \$476,880, respectively, which equaled the required contributions each year.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, two members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 7-POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2012, 2011, and 2010, the actuarially required allocations were 0.75 percent, 0.76 percent, and 0.76 percent. For the District, contributions for the years ended June 30, 2012, 2011, and 2010, were \$8,931, \$9,454, and \$8,940, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 7-POSTEMPLOYMENT BENEFITS (continued)

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the years ended June 30, 2012, 2011, and 2010, the health care allocations were 0.55 percent, 1.43 percent, and 0.46 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. District contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$22,015, \$37,469, and \$21,207, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

B. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan; and a Combined Plan which is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011, and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$31,722, \$33,486, and \$34,063 for fiscal years 2012, 2011, and 2010, respectively, which is equal to the required amount for each year.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 8-EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty-five 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 240 days for teachers and administrators and 220 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit.

B. Insurance

The District provides life insurance and accidental death and dismemberment to all employees through CoreSource. The District has elected to provide employee medical/surgical benefits through Anthem through May 31, 2012 and through The Ohio Plan beginning on June 1, 2012. Prescription drug benefits are provided through MedCo. The employees share the cost of the monthly premium with the Board. The premium is consistent among single rates and family rates with employees paying 15 percent and the District paying 85 percent.

C. Deferred Compensation

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

NOTE 9 - LONG-TERM DEBT

Under the cash basis of accounting, the District does not record debt as a liability in the accompanying basic financial statements. However, in order to provide meaningful information regarding debt to readers of these basic financial statements, the District has elected to present the following information. The changes in the District's long-term debt during fiscal year 2012 were as follows:

| | Debt | | | Debt | |
|--|--------------------|----------------|-----------------|--------------------|-----------------|
| | Outstanding | Additions | Deductions | Outstanding | Due in |
| | 6/30/11 | | | 6/30/12 | One Year |
| 1998 School Improvement General Obligations Bonds – 4.00% - 5.00% | \$270,000 | \$0 | \$60,000 | \$210,000 | \$65,000 |
| 2010 Energy Conservation Improvement Bonds – 3.25% | 378,885 | 0 | 21,836 | 357,049 | 22,510 |
| 2011 School Improvement Refunding Bonds – Term – 2.00% - 3.30% | 495,000 | 0 | 15,000 | 480,000 | 10,000 |
| 2011 School Improvement Refunding Bonds – Capital Appreciation | 30,000 | 0 | 0 | 30,000 | 0 |
| 2011 School Improvement Refunding Bonds – Capital Appreciation Accretion | 3,580 | 4,172 | 0 | 7,752 | 0 |
| Total | \$1,177,465 | \$4,172 | \$96,836 | \$1,084,801 | \$97,510 |

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 9 - LONG-TERM DEBT (continued)

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

2010 Energy Conservation Improvement Bonds - On February 16, 2010, the District issued \$400,000 in unvoted energy conservation improvement bonds for the purpose of installations, modifications and remodeling to reduce energy consumption by the District. The bonds were issued for a fifteen year period with final maturity during fiscal year 2025. The bonds will be retired from the general fund.

2011 School Improvement Refunding Bonds - On March 24, 2011, the District issued \$525,000 in voted general obligation refunding bonds for the purpose of refunding a portion of the 1998 School Improvement General Obligations Bonds. The bonds issued include term and capital appreciation bonds in the amounts of \$495,000 and \$30,000, respectively. The capital appreciation bonds will mature in fiscal year 2017. The maturity amount of the bonds is \$85,000. The term and capital appreciation bonds will be repaid from the bond retirement fund.

The bonds due on December 1, 2015 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2011 and on each December 1 thereafter at 100 percent of the principal amount therefore plus accrued interest to the date of redemption according to the following schedule:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2012 | \$10,000 |
| 2013 | 10,000 |
| 2014 | 10,000 |

Unless otherwise called for redemption, the remaining \$85,000 principal amount of the bonds due December 1, 2015 is to be paid at stated maturity.

The bonds due on December 1, 2018 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2017 at 100 percent of the principal amount therefore plus accrued interest to the date of redemption according to the following schedule:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2017 | \$85,000 |

Unless otherwise called for redemption, the remaining \$90,000 principal amount of the bonds due December 1, 2018 is to be paid at stated maturity.

The bonds due on December 1, 2020 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2019 at 100 percent of the principal amount therefore plus accrued interest to the date of redemption according to the following schedule:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2019 | \$95,000 |

Unless otherwise called for redemption, the remaining \$95,000 principal amount of the bonds due December 1, 2020 is to be paid at stated maturity.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 9 - LONG-TERM DEBT (continued)

Principal and interest requirements to retire general obligation debt at June 30, 2012, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|--------------------|------------------|--------------------|
| 2013 | \$97,510 | \$35,800 | \$133,310 |
| 2014 | 103,242 | 30,819 | 134,061 |
| 2015 | 108,997 | 25,513 | 134,510 |
| 2016 | 109,777 | 21,533 | 131,310 |
| 2017 | 55,582 | 74,878 | 130,460 |
| 2018-2022 | 505,937 | 53,598 | 559,535 |
| 2023-2025 | 96,004 | 6,309 | 102,313 |
| Total | <u>\$1,077,049</u> | <u>\$248,450</u> | <u>\$1,325,499</u> |

The amortization above does not agree to the table on page 33 due to accretion.

The District's overall legal debt margin was \$4,858,466 with an unvoted debt margin of \$56,073 at June 30, 2012.

NOTE 10 - GROUP PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), a group 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 11 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association - The District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Pickaway, Gallia, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus the fiscal agent. The District paid SCOCA \$136,889 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, 175 Beaver Creek Road, Piketon, Ohio 45661.

NOTE 12 - SET-ASIDE CALCULATIONS AND FUND BALANCE RESTRICTIONS

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

The following cash basis information describes the change in the year-end set-aside amounts for capital acquisition and bus purchases. Disclosure of this information is required by State statute.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 12 - SET-ASIDE CALCULATIONS AND FUND BALANCE RESTRICTIONS (continued)

| | Capital Acquisition | Bus Purchases |
|--|------------------------|------------------|
| Set-aside balance as of June 30, 2011 | \$0 | \$1,496 |
| Current year set-aside requirement | 136,504 | 0 |
| Prior year carryover | (400,285) | 0 |
| Current year offsets | 16,191 | 0 |
| Qualifying disbursements | (157,576) | 0 |
| Total | (\$405,166) | \$1,496 |
| Set-aside balance carried forward to future fiscal years | (\$405,166) | \$1,496 |
| Set-aside balance as of June 30, 2012 | \$0 | \$1,496 |

The District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the capital acquisition set-aside. The carryover amount in the capital acquisition set-aside is limited to the balance of the offsets attributed to bond or tax levy proceeds, which was \$0 as of June 30, 2012. The District's Board additionally committed a portion of fund balance in the general fund for the purpose of capital disbursements. The additional amount committed at June 30, 2012 was \$15,041.

NOTE 13 - CONTINGENCIES

Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and state agencies in the form of grants. The disbursement 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 District at June 30, 2012.

Litigation

At June 30, 2012, the District is party to a lawsuit. The outcome of this lawsuit cannot be determined at this time; however, it is not expected to have a material adverse effect on the basic financial statements.

NOTE 14 – ACCOUNTABILITY AND COMPLIANCE

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is not in compliance with Ohio law.

NOTE 15 – INTERFUND TRANSFERS

In fiscal year 2012, the District transfers \$13,254 from the classroom facilities capital projects fund to the permanent improvement capital projects fund to close out the existing balance of its Ohio School Facilities Commission project.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 16- BUDGETARY BASIS FUND BALANCES

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The table below presents those differences for the District's general fund:

| | <u>General Fund</u> |
|--|---------------------|
| Budgetary basis fund balance | \$1,766,987 |
| Encumbrances | 28,291 |
| Fund balance of funds combined with general fund for reporting purposes | <u>7,185</u> |
| Cash basis fund balance | <u>\$1,802,463</u> |

As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund for financial reporting purposes. This includes the public school support fund. Since this fund is budgeted separately, it is not included in the budgetary presentation for the general fund.

Eastern Local School District
Pike County

Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--|----------------------------------|---------------------------|---------------------|----------------------|---------------------|---------------------------|
| United States Department of Agriculture | | | | | | |
| <i>Passed through Ohio Department of Education</i> | | | | | | |
| <i>Nutrition Cluster:</i> | | | | | | |
| School Breakfast Program | 3L70 | 10.553 | \$ 141,085 | \$ - | \$ 141,085 | \$ - |
| National School Lunch Program | 3L60 | 10.555 | 200,883 | 22,919 | 200,883 | 22,919 |
| Summer Food Service Program for Children | 3L60 | 10.559 | 9,579 | - | 9,579 | - |
| Total - Nutrition Cluster | | | 351,547 | 22,919 | 351,547 | 22,919 |
| Total United States Department of Agriculture | | | 351,547 | 22,919 | 351,547 | 22,919 |
| United States Department of Education | | | | | | |
| <i>Passed through Ohio Department of Education</i> | | | | | | |
| <i>Special Education Cluster:</i> | | | | | | |
| Special Education - Grants to States | 3M20 | 84.027 | 195,963 | - | 192,080 | - |
| ARRA - Special Education Grants to States, Recovery Act | 3DJ0 | 84.391 | 6,845 | - | 8,371 | - |
| Total Special Education Cluster | | | 202,808 | - | 200,451 | - |
| <i>Title I, Part A Cluster:</i> | | | | | | |
| Title I Grants to Local Educational Agencies | 3M00 | 84.010 | 373,934 | - | 358,457 | - |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act | 3DK0 | 84.389 | 14,417 | - | 14,334 | - |
| Total Title I, Part A Cluster | | | 388,351 | - | 372,791 | - |
| Education Jobs Fund | 3ET0 | 84.410 | 273,273 | - | 262,888 | - |
| Rural Education | 3Y80 | 84.358 | 16,240 | - | 15,162 | - |
| Educational Technology State Grants | 3S20 | 84.318 | 2,572 | - | - | - |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top, Recovery Act | | 84.395 | 350 | - | 350 | - |
| Improving Teacher Quality State Grants | 3Y60 | 84.367 | 81,402 | - | 75,695 | - |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | GRF | 84.394 | - | - | 80,729 | - |
| Total Passed through Ohio Department of Education | | | 373,837 | - | 434,824 | - |
| Total United States Department of Education | | | 964,996 | - | 1,008,066 | - |
| Total Federal Financial Assistance | | | <u>\$ 1,316,543</u> | <u>\$ 22,919</u> | <u>\$ 1,359,613</u> | <u>\$ 22,919</u> |

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

Eastern Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTIONS

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

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

Members of the Board of Education
Eastern Local School District
1170 Tile Mill Road
Beaver, Ohio 45613

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Pike County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2012, wherein we noted the District follows the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2012-001.

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

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
December 14, 2012



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board of Education
Eastern Local School District
1170 Tile Mill Road
Beaver, Ohio 45613

Compliance

We have audited the compliance of Eastern Local School District, Pike County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Eastern Local School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Members of the Board of Education
Eastern Local School District
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
Page 2

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

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

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
December 14, 2012

**Eastern Local School District
Pike County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other significant control deficiencies reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other significant internal control deficiencies reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Program's Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under §.510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | <i>Special Education Cluster:</i> Special Education Grants to States, CFDA# 84.027; Special Education Grants to States, ARRA, CFDA# 84.391 Education Jobs Fund, CFDA# 84.410 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

**Eastern Local School District
Pike County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2012**

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

Finding Number 2012-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its annual financial report in accordance with generally accepted accounting principles.

Client Response

The District officials do not believe that preparing financial statements in accordance with generally accepted accounting principles is cost beneficial.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|--|------------------|---|
| 2011-001 | A noncompliance citation was Issued for Ohio Revised Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B), for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles. | No | Not Corrected: The School District's officials did not believe that preparing financial Statements in accordance with generally accepted accounting principles was cost beneficial. Reissued as Finding Number 2012-001. |



Dave Yost • Auditor of State

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
FEBRUARY 7, 2013**