



Dave Yost • Auditor of State



**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Eastern Local School District  
Meigs County  
50008 State Route 681  
Reedsville, Ohio 45772

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Meigs County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Meigs County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 2, 2015

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**EASTERN LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2014  
(Unaudited)

The discussion and analysis of the Eastern Local School District's (District's) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

**Financial Highlights**

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$8,979,109. Of this amount, \$7,798,201 represents the amount invested in capital assets, net of related debt, and net position amounts restricted for specific purposes. The remaining \$1,180,908 represents unrestricted net position.

In total, net position of governmental activities decreased by \$133,719, which represents an 1.5 percent decrease from 2013.

General revenues accounted for \$7,336,917 or 80.45 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,782,651 or 19.55 percent of total revenues of \$9,119,568.

The District had \$9,253,287 in expenses related to governmental activities; only \$1,782,651 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$7,336,917 and net position carried over from prior year were used to provide for the remainder of these programs.

The District recognizes two major governmental funds: the General and the Bond Retirement Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other governmental funds of the District combined. The General Fund had \$7,780,444 in revenues and other financing sources and \$7,458,610 in expenditures in fiscal year 2014.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

**Reporting the District as a Whole**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**EASTERN LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2014  
(Unaudited)

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

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

**Fund Financial Statements**

The analysis of the District's major funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. 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.

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

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

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

**EASTERN LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2014  
(Unaudited)

**Proprietary Fund**

The District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the District reports it as a proprietary fund using the full accrual basis of accounting.

**Fiduciary Fund**

The District's only fiduciary fund is an agency fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-Wide Financial Analysis**

Recall that the statement of net position provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net position).

Table 1 provides a summary of the District's net position for 2014 compared to fiscal year 2013:

<b>Table 1</b>		
<b>Net Position</b>		
<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current and Other Assets	\$4,579,938	\$4,284,279
Capital Assets, Net	7,085,586	7,423,638
Total Assets	11,665,524	11,707,917
Deferred Outflows	33,216	37,579
<b>Liabilities</b>		
Long-Term Liabilities	1,019,212	973,623
Other Liabilities	1,105,362	1,097,156
Total Liabilities	2,124,574	2,070,779
Deferred Inflows	595,057	561,889
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	6,424,168	6,687,220
Restricted	1,374,033	1,420,537
Unrestricted	1,180,908	1,005,071
Total	\$8,979,109	\$9,112,828

Current and other assets increased \$295,659 from fiscal year 2013 due to an increase in cash and cash equivalents held by the District. Capital assets decreased by \$338,052 or 4.55 percent due to current year depreciation expense.

**EASTERN LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2014  
(Unaudited)

Current (other) liabilities increased by \$8,206 or 0.74 percent.

Long-term liabilities increased by \$45,589 due to compensated absences liability.

The District's largest portion of net position is related to amounts invested in capital assets, net of related debt. This accounts for 71.55 percent of net position. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The next largest portion of net position of \$1,374,033 or 15.30 percent is restricted net position. The restricted net position are subjected to external restrictions on how they may be used.

The District's smallest balance is unrestricted. This accounts for 13.15 percent of all net position. These net position represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

**EASTERN LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2014  
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2014 and provides a comparison to fiscal year 2013.

**Table 2**  
**Change in Net position**  
**Governmental Activities**

	2014	2013
<b>Revenues:</b>		
Program Revenues:		
Charges for Services and Sales	\$852,353	\$857,630
Operating Grants and Contributions	930,298	1,267,180
General Revenues:		
Property Taxes	1,536,645	1,339,912
Unrestricted Grants and Entitlements	5,648,957	5,514,851
Gifts and Donations	82,863	31,189
Investment Earnings	6,736	6,974
Miscellaneous	51,093	48,768
Proceeds from Sale of Capital Assets	10,623	201
Total Revenues	9,119,568	9,066,705
<b>Expenses:</b>		
Program Expenses		
Instruction:		
Regular	4,287,504	4,066,840
Special	874,443	785,874
Vocational	9,008	0
Student Intervention Services	10,717	19,839
Other	0	43
Support Services:		
Pupils	685,708	502,040
Instructional Staff	236,216	393,973
Board of Education	19,153	26,641
Administration	633,347	610,278
Fiscal	269,155	264,094
Operation and Maintenance of Plant	834,061	1,074,853
Pupil Transportation	636,782	672,158
Central	75,076	94,660
Operational of Non-Instructional Services	369,597	411,894
Extracurricular Activities	277,568	256,112
Interest and Fiscal Charges	34,952	38,640
Total Expenses	9,253,287	9,217,939
Change in Net position	(133,719)	(151,234)
Net position – Beginning of Year	9,112,828	9,264,062
Net position – End of Year	\$8,979,109	\$9,112,828

**EASTERN LOCAL SCHOOL DISTRICT**  
 Management's Discussion and Analysis  
 For Fiscal Year Ended June 30, 2014  
 (Unaudited)

The most significant program expenses for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant and Pupil Transportation. These programs account for 71.68 percent of the total governmental activities. Regular Instruction, which accounts for 46.33 percent of the total, represents costs associated with providing general educational services. Special Instruction, 9.45 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant, which represents 9.01 percent of the total, represent costs associated with operating and maintaining the District's facilities. Pupil Transportation, which represents 6.88 percent of the total, represents costs associated with providing transportation services for students between home and school and to school activities.

The majority of the funding for the most significant programs indicated above is from operating grants and contributions and grants and entitlements not restricted for specific programs. Operating grants and contributions and grants and entitlements not restricted for specific programs account for 72.14 percent of total revenues.

**Governmental Activities**

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 16.84 percent and intergovernmental revenue made up 72.14 percent of the total revenue for the governmental activities in fiscal year 2014.

The District voters approved a bond retirement tax levy for 3.0 mills. It was passed in November 1996 as part of a \$1,455,000 bond issue for facility improvements. This levy generates approximately \$160,000 dollars in revenue for debt service payments.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2014, the District received \$5,379,409 through the State's foundation program, which represents 59.0 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 56.00 percent of governmental activities program expenses. Support services expenses make up 36.63 and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2014 compared with fiscal year 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Cost of Services</u> <u>2014</u>	<u>Net Cost of Services</u> <u>2014</u>	<u>Total Cost of Services</u> <u>2013</u>	<u>Net Cost of Services</u> <u>2013</u>
Program Expenses:				
Instruction:	\$5,181,672	\$4,147,165	\$4,872,596	\$3,825,808
Support Services:	3,389,498	3,052,554	3,638,697	2,982,698
Operational of Non-Instructional Services	369,597	33,591	411,894	50,749
Extracurricular Activities	277,568	202,374	256,112	195,234
Interest and Fiscal Charges	34,952	34,952	38,640	38,640
Total Expenses	<u>\$9,253,287</u>	<u>\$7,470,636</u>	<u>\$9,217,939</u>	<u>\$7,093,129</u>

**EASTERN LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2014  
(Unaudited)

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues of \$9,311,931 and expenditures of \$8,856,227.

Total governmental funds fund balance increased by \$455,704. The increase in fund balance for the year was most significant in the General Fund, an increase of \$321,834 due primarily to a increase in revenues. The fund balance in the Bond Retirement Fund increased \$30,644 due primarily to inflows exceeding debt obligation payments.

The District should remain stable in fiscal years 2015 through 2016. However, projections beyond fiscal year 2016 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

**Budget Highlights - General Fund**

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

During the course of fiscal year 2014, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis revenue and other financing sources were \$7,686,056 representing a \$284,919 increase from the original budget estimate of \$7,401,137. The final budget reflected a 3.80 percent increase from the original budgeted amount. Most of this difference was due to the underestimate of property taxes. For the General Fund, the final budget basis expenditures were \$7,738,686, representing a \$115,737 increase from the original budgeted expenditures of \$7,622,949.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2014, the District had \$14.5 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$7.4 million.

**EASTERN LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2014  
(Unaudited)

Table 4 shows fiscal year 2014 balances compared to fiscal year 2013.

**Table 4**  
**Capital Assets & Accumulated Depreciation**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
Nondepreciable Capital Assets:		
Land	\$23,487	\$23,487
Depreciable Capital Assets:		
Land Improvements	395,242	395,242
Buildings and Improvements	10,993,584	10,981,784
Furniture, Fixtures and Equipment	1,557,608	1,699,572
Vehicles	1,030,770	1,074,690
Library Books and Textbooks	515,691	504,146
<b>Total Capital Assets</b>	<b>14,516,382</b>	<b>14,678,921</b>
Less Accumulated Depreciation:		
Land Improvements	291,397	274,662
Buildings and Improvements	4,766,050	4,530,511
Furniture, Fixtures and Equipment	1,204,098	1,303,077
Vehicles	741,726	732,622
Library Books and Textbooks	427,525	414,411
<b>Total Accumulated Depreciation</b>	<b>7,430,796</b>	<b>7,255,283</b>
<b>Totals</b>	<b>\$7,085,586</b>	<b>\$7,423,638</b>

More detailed information pertaining to the District's capital asset activity can be found in Note 8 of the notes to the basic financial statements.

**Debt Administration**

At June 30, 2014 the District had \$650,000 in bonds outstanding with \$75,000 due within one year. Table 5 summarizes bonds outstanding for fiscal year 2014 compared to fiscal year 2013.

**Table 5**  
**Outstanding Debt**

Purpose	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
School Improvement Refunding Bonds	\$650,000	\$725,000
<b>Total</b>	<b>\$650,000</b>	<b>\$725,000</b>

More detailed information pertaining to the District's long-term debt activity can be found in Note 13 of the notes to the basic financial statements.

**Current Issues**

Although considered a mid-wealth district, the district has maintained financial stability primarily from monitoring expenditures and making necessary budget reductions. As indicated in the preceding financial information, the District is heavily dependent on intergovernmental revenue. Over 50% of the district's operating funds are received through the state funding formula. The district is dependent upon federal and state funding. Given the current inflationary increases, especially in terms of group health premium trends, the current program and staffing levels of the district will be dependent on increased state, local and federal funding.



**EASTERN LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2014  
(Unaudited)

Careful financial planning and the passage of a building levy in 1996 have permitted the District to provide a quality education for our students along with renovated facilities. The district has received an effective rating over the past several years on our district report card. The new reporting system has eliminated these rankings and has been replaced by a series of letter grades in various areas.

State legislation and the economy of the state greatly impact the financial stability of the District.

The state and nation experienced significant economic decline at the end of 2008. The state heavily relied on federal American Recovery and Reinvestment Act resources to maintain school funding levels. The state has struggled over the past several years, but the economic future of the state is increasing. Personal income tax receipts and state sales tax receipts have increased and are exceeding anticipated collections. The state unemployment rate has also decreased.

House Bill 59 established the current biennium and will implement a new state funding formula for public school districts. This formula will impact fiscal year 2014 and 2015. This funding formula is based on a combination of local property valuation wealth per pupil and local wealth per pupil. Unfortunately this formula will not generate any additional state funding for the district and will place the district on a funding guarantee for the upcoming two years.

A casino amendment was placed in section 6(C) of article XV of the Ohio Constitution. This amendment allowed for the construction of four casinos in the state and imposes a 33% tax on the casino's gross receipts. 34% of the proceeds from the tax are distributed to public schools. The District began collecting these revenues January 2014.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact Lisa Ritchie, Treasurer of Eastern Local School Board of Education, 50008 State Route 681, Reedsville, Ohio 45772.

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**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Net Position  
June 30, 2014**

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	2,344,171
Materials and Supplies Inventory		2,169
Accounts Receivable		2,067
Intergovernmental Receivable		277,350
Prepaid Items		51,774
Taxes Receivable		1,809,525
Restricted Assets:		
Equity in Pooled Cash and Cash Equivalents		92,882
Non-Depreciable Capital Assets		23,487
Depreciable Capital Assets, net		7,062,099
Total Assets		<u>11,665,524</u>
<b>Deferred Outflow of Resources</b>		
Unamortized Deferred Amount on Refunding		<u>33,216</u>
Total Assets and Deferred Outflows of Resources		<u>11,698,740</u>
<b>Liabilities:</b>		
Accounts Payable		29,684
Accrued Wages and Benefits		874,297
Intergovernmental Payable		192,945
Accrued Interest Payable		2,654
Claims Payable		5,782
Long-Term Liabilities:		
Due Within One Year		130,678
Due in More Than One Year		888,534
Total Liabilities		<u>2,124,574</u>
<b>Deferred Inflows of Resources:</b>		
Property Taxes Levied for the Next Fiscal Year		<u>595,057</u>
Total Liabilities and Deferred Inflows of Resources		<u>2,719,631</u>
<b>Net Position:</b>		
Net Investment in Capital Assets		6,424,168
Restricted for:		
Debt Service		580,016
Capital		7,538
Other Purposes		786,479
Unrestricted		1,180,908
Total Net Position	\$	<u><u>8,979,109</u></u>

See Accompanying Notes to the Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2014**

	<b>Program Revenues</b>		<b>Net(Expense) Revenue and Changes in Net Position</b>	
<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$ 4,287,504	\$ 670,156	\$ 14,458	\$ (3,602,890)
Special	874,443	0	339,176	(535,267)
Vocational	9,008	0	0	(9,008)
Student Intervention Services	10,717	0	10,717	0
<b>Support Services:</b>				
Pupils	685,708	0	181,467	(504,241)
Instructional Staff	236,216	0	154,650	(81,566)
Board of Education	19,153	0	0	(19,153)
Administration	633,347	0	0	(633,347)
Fiscal	269,155	0	0	(269,155)
Operation and Maintenance of Plant	834,061	0	0	(834,061)
Pupil Transportation	636,782	0	827	(635,955)
Central	75,076	0	0	(75,076)
Operation of Non-Instructional Services	369,597	107,003	229,003	(33,591)
Extracurricular Activities	277,568	75,194	0	(202,374)
Interest and Fiscal Charges	34,952	0	0	(34,952)
<b>Totals</b>	<b>\$ 9,253,287</b>	<b>\$ 852,353</b>	<b>\$ 930,298</b>	<b>\$ (7,470,636)</b>
<b>General Revenues:</b>				
<b>Taxes:</b>				
Property Taxes, Levied for General Purposes				1,389,737
Property Taxes, Levied for Debt Service				125,051
Property Taxes, Levied for Other				21,857
Grants and Entitlements not Restricted to Specific Programs				5,648,957
Gifts and Donations				82,863
Investment Earnings				6,736
Miscellaneous				51,093
Proceeds from Sale of Capital Assets				10,623
<b>Total General Revenues</b>				<b>7,336,917</b>
<b>Change in Net Position</b>				<b>(133,719)</b>
<b>Net Position Beginning of Year</b>				<b>9,112,828</b>
<b>Net Position End of Year</b>				<b>\$ 8,979,109</b>

See Accompanying Notes to the Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2014**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,099,403	\$ 483,829	\$ 680,897	\$ 2,264,129
Materials and Supplies Inventory	0	0	2,169	2,169
Accounts Receivable	2,067	0	0	2,067
Interfund Receivable	3,129	0	0	3,129
Intergovernmental Receivable	0	0	277,350	277,350
Prepaid Items	51,774	0	0	51,774
Taxes Receivable	1,635,185	147,485	26,855	1,809,525
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	92,882	0	0	92,882
<b>Total Assets</b>	<b>\$ 2,884,440</b>	<b>\$ 631,314</b>	<b>\$ 987,271</b>	<b>\$ 4,503,025</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 28,490	\$ 0	\$ 1,194	\$ 29,684
Accrued Wages and Benefits	785,050	0	89,247	874,297
Interfund Payable	0	0	3,129	3,129
Intergovernmental Payable	169,252	0	23,693	192,945
<b>Total Liabilities</b>	<b>982,792</b>	<b>0</b>	<b>117,263</b>	<b>1,100,055</b>
<b>Deferred Inflow of Resources</b>				
Property Levied for the Next Fiscal Year	862,567	77,929	14,386	954,882
Deferred Intergovernmental Revenue	0	0	181,893	181,893
<b>Total Deferred Inflows of Resources</b>	<b>862,567</b>	<b>77,929</b>	<b>196,279</b>	<b>1,136,775</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,845,359</b>	<b>77,929</b>	<b>313,542</b>	<b>2,236,830</b>
<b>Fund Balances</b>				
Nonspendable	51,774	0	2,169	53,943
Restricted	92,882	553,385	290,871	937,138
Committed	0	0	391,955	391,955
Assigned	76,553	0	0	76,553
Unassigned	817,872	0	(11,266)	806,606
<b>Total Fund Balances</b>	<b>1,039,081</b>	<b>553,385</b>	<b>673,729</b>	<b>2,266,195</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,884,440</b>	<b>\$ 631,314</b>	<b>\$ 987,271</b>	<b>\$ 4,503,025</b>

See Accompanying Notes to the Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2014**

Total Governmental Fund Balances	\$	2,266,195
<p>Amounts reported for governmental activities on the statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.</p>		7,085,586
<p>Some of the District's receivables will be collected after fiscal year-end, but are not available soon enough to pay current period's expenditures and therefore are deferred in the funds. These receivables consist of:</p>		
Property taxes	359,825	
Intergovernmental revenue	181,893	
Total	541,718	541,718
<p>Unamortized issuance costs represent deferred outflows which don not provide current financial resources and are therefore not reported in the funds.</p>		33,216
<p>Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are in included in governmental activities in the statement of Net Position.</p>		74,260
<p>Some liabilities are not due and payable in the current and therefore are not reported in the funds. These liabilities consist of:</p>		
Accrued interest on bonds	(2,654)	
Refunding bonds	(694,634)	
Compensated Absences	(324,578)	
	(1,021,866)	
Net Position of Governmental Activities	\$	8,979,109

See Accompanying Notes to the Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 1,383,808	\$ 124,517	\$ 22,212	\$ 1,530,537
Intergovernmental	5,629,313	21,274	1,127,139	6,777,726
Interest	4,731	0	2,005	6,736
Tuition and Fees	643,087	0	0	643,087
Rent	27,069	0	0	27,069
Extracurricular Activities	4,981	0	70,213	75,194
Gifts and Donations	29,957	0	52,906	82,863
Customer Sales and Services	0	0	107,003	107,003
Miscellaneous	46,875	0	4,218	51,093
<b>Total Revenues</b>	<b>7,769,821</b>	<b>145,791</b>	<b>1,385,696</b>	<b>9,301,308</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	3,909,650	0	44,612	3,954,262
Special	514,104	0	347,280	861,384
Vocational	0	0	9,008	9,008
Student Intervention Services	0	0	10,717	10,717
Support Services:				
Pupils	493,702	0	181,467	675,169
Instructional Staff	66,151	0	172,211	238,362
Board of Education	19,121	0	0	19,121
Administration	550,649	0	59,296	609,945
Fiscal	255,632	4,913	896	261,441
Operation and Maintenance of Plant	804,224	0	20,000	824,224
Pupil Transportation	554,282	0	10,692	564,974
Central	78,273	0	0	78,273
Operation of Non-Instructional Services	7,372	0	354,638	362,010
Extracurricular Activities	169,367	0	71,653	241,020
Capital Outlay	36,083	0	0	36,083
Debt Service:				
Principal	0	75,000	0	75,000
Interest	0	35,234	0	35,234
<b>Total Expenditures</b>	<b>7,458,610</b>	<b>115,147</b>	<b>1,282,470</b>	<b>8,856,227</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>311,211</b>	<b>30,644</b>	<b>103,226</b>	<b>445,081</b>
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from Sale of Capital Assets	10,623	0	0	10,623
<b>Total Other Financing Sources</b>	<b>10,623</b>	<b>0</b>	<b>0</b>	<b>10,623</b>
<b>Net Change in Fund Balances</b>	<b>321,834</b>	<b>30,644</b>	<b>103,226</b>	<b>455,704</b>
Fund Balance (Deficit) at Beginning of Year	717,247	522,741	570,503	1,810,491
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 1,039,081</b>	<b>\$ 553,385</b>	<b>\$ 673,729</b>	<b>\$ 2,266,195</b>

See Accompanying Notes to the Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement Activities  
For the Fiscal Year Ended June 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ 455,704

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

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current year.

Capital Outlay - Depreciable Capital Assets	71,270	
Depreciation	<u>(375,592)</u>	
		(304,322)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of Net Position and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(33,730)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	(198,471)	
Delinquent Property Taxes	<u>6,108</u>	
		(192,363)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

75,000

Internal Service Fund is used by management to charge the costs of insurance to individual funds not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.

(9,338)

In the statement of activities, interest accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

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Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	<u>(124,952)</u>	
		(124,952)

Change in Net Position of Governmental Activities		\$ <u><u>(133,719)</u></u>
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See Accompanying Notes to the Basic Financial Statements



**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 1,200,500	\$ 1,299,100	\$ 1,299,376	\$ 276
Intergovernmental	5,532,390	5,622,011	5,629,313	7,302
Interest	5,000	5,000	4,731	(269)
Tuition and Fees	607,250	642,400	642,164	(236)
Rent	27,000	27,000	27,214	214
Gifts and Donations	5,000	11,000	11,360	360
Miscellaneous	0	6,225	6,296	71
Total Revenues	<u>7,377,140</u>	<u>7,612,736</u>	<u>7,620,454</u>	<u>7,718</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,902,809	3,934,425	3,925,326	9,099
Special	515,631	535,160	513,022	22,138
Student Intervention Services	11,635	11,635	43	11,592
Support services:				
Pupils	475,130	481,913	497,626	(15,713)
Instructional Staff	107,432	107,932	78,422	29,510
Board of Education	31,664	31,664	30,800	864
Administration	577,801	577,285	558,739	18,546
Fiscal	272,750	272,569	257,983	14,586
Operation and Maintenance of Plant	820,813	861,175	871,274	(10,099)
Pupil Transportation	606,697	616,914	572,377	44,537
Central	101,807	103,179	79,612	23,567
Operation of Non-Instructional Services	6,250	6,250	7,372	(1,122)
Extracurricular activities	138,030	144,085	154,733	(10,648)
Capital Outlay	54,500	54,500	36,083	18,417
Total Expenditures	<u>7,622,949</u>	<u>7,738,686</u>	<u>7,583,412</u>	<u>155,274</u>
Excess of Revenues Over (Under) Expenditures	<u>(245,809)</u>	<u>(125,950)</u>	<u>37,042</u>	<u>162,992</u>
Other Financing Sources (Uses):				
Advances In	22,497	22,497	22,497	0
Proceeds from Sale of Capital Assets	1,500	10,623	10,623	0
Refund of Prior Year Expenditures	0	40,200	40,206	6
Transfers Out	0	0	(590)	(590)
Advances Out	0	0	(7,907)	(7,907)
Refund of Prior Year Receipts	0	0	(350)	(350)
Total Other Financing Sources (Uses)	<u>23,997</u>	<u>73,320</u>	<u>64,479</u>	<u>(8,841)</u>
Net Change in Fund Balance	(221,812)	(52,630)	101,521	154,151
Fund Balance at Beginning of Year	911,016	911,016	911,016	0
Prior Year Encumbrances Appropriated	76,895	76,895	76,895	0
Fund Balance at end of Year	<u>\$ 766,099</u>	<u>\$ 935,281</u>	<u>\$ 1,089,432</u>	<u>\$ 154,151</u>

See Accompanying Notes to Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Fund Net Position  
Internal Service Fund  
June 30, 2014**

	<u>Internal Service</u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>80,042</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Claims Payable	<u>5,782</u>
<b>Net Position:</b>	
Unrestricted	<u>74,260</u>
Total Net Position	\$ <u><u>74,260</u></u>

See Accompanying Notes to Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Internal Service Fund  
June 30, 2014**

**OPERATING REVENUES:**

Other Revenues	\$ <u>96,779</u>
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**OPERATING EXPENSES:**

Claims	67,822
Other	<u>38,295</u>
Total Operating Expenses	<u>106,117</u>

Net Change in Net Position	(9,338)
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Net Position (Deficit) at Beginning of Year	83,598
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Net Position (Deficit) at End of Year	<u>\$ <u>74,260</u></u>
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See Accompanying Notes to Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Cash Flows  
Internal Service Fund  
June 30, 2014**

	<u>Internal Service</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Interfund Services Provided	\$ 96,779
Payments for Other Operating Expenses	(38,295)
Payments for Claims	<u>(65,252)</u>
Net Cash from Operating Activities	<u>(6,768)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,768)
Cash and Cash Equivalents at Beginning of Year	<u>86,810</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 80,042</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:</b>	
Operating Income (Loss)	\$ (9,338)
<b>Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:</b>	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>2,570</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ (6,768)</u></u>

See Accompanying Notes to Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2014**

	<u>Agency Fund</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>33,339</u>
<b>Liabilities</b>	
Due to Students	\$ <u>33,339</u>

See Accompanying Notes to the Basic Financial Statements

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**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

**Description of the School District**

Eastern Local School District (the District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. 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 1956. The District serves an area of approximately 115 square miles. It is located in Meigs County, and includes the communities of Reedsville, Tupper Plains and Chester, and the Townships of Orange, Olive, Chester and a portion of Bedford. It is staffed by 39 non-certificated employees, 61 certificated full-time teaching personnel and 5 administrative employees who provide services to 792 students and other community members. The District currently operates 2 instructional buildings, 1 administrative building and 1 garage.

**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 the 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 organization's 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 has no component units.

The District is associated with five organizations, two of which are defined as jointly governed organizations and three as insurance purchasing pools. These organizations are the Jefferson Health Plan, the Southeast Ohio Voluntary Education Cooperative, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Worker's Compensation Group Rating Plan, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 18 and 19 to the basic financial statements.

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

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

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the District at yearend. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

During the 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 governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**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 self-balancing set of accounts. The funds of the District fall within three categories: governmental, proprietary and fiduciary.

**Governmental Funds**

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



**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

The following are the District's major governmental funds:

**General Fund**- This fund is the 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 general laws of Ohio.

**Bond Retirement Fund**- This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

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

**Proprietary Fund**

The proprietary fund focus is on the determination of the change in net position, financial position and cash flows and is classified as internal service. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides dental benefits to employees.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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 liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund which is used to account for student managed activities.

**C. Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position.

**Fund Financial Statements**

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

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

**D. Basis of Accounting**

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

**Revenues - Exchange and Nonexchange Transactions**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred Inflows of Resources and Deferred Outflows of Resources**

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and on the governmental fund balance sheet. Grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2014 are recorded as deferred inflows of resources in the governmental funds and as revenue on the Statement of Activities.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

**Expenses/Expenditures**

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

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

**E. Cash and Cash Equivalents**

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

During the fiscal year 2014, the District's investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$4,731, which includes \$1,836 assigned from other District funds.

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

**F. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

**G. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by statute to be set-aside by the District for budget stabilization. See Note 16 for additional information regarding set-asides.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

**H. Capital Assets**

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 – 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	8 years
Library Books and Textbooks	5 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net position.

**J. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 20 years of service with the District.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination of benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Long-term bonds are recognized as a liability on the fund financial statements when due.

**L. Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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.

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

**M. Fund Balance**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified 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" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

**Committed** – The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the District's Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 the 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 represent intended uses established by the District's Board of Education.

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

**N. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund.

**O. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one 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 expenditures to the funds that initially paid for them are not presented on the financial statements.

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For the fiscal year 2014, the District reported no extraordinary or special items.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

**Q. Estimates**

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

**R. 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 sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The District Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**NOTE 3 - ACCOUNTABILITY**

The following funds had deficit fund balances as of June 30, 2014:

Nonmajor Special Revenue Funds:	
Title VI-B	\$6,465
Title I	4,801

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and the Miscellaneous Federal Grant Fund.

<b>Net Change in Fund Balance</b>	<b>General</b>
GAAP Basis	\$321,834
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2013, Received In Cash FY 2014	689,699
Accrued FY 2014, Not Yet Received in Cash	(814,891)
Expenditure Accruals:	
Accrued FY 2013, Paid in Cash FY 2014	(988,093)
Accrued FY 2014, Not Yet Paid in Cash	976,002
Advances Net	14,590
Net Non General Fund Cash Activity	(10,851)
Encumbrances Outstanding at Year End (Budget Basis)	(86,769)
Budget Basis	\$101,521

**NOTE 5 - 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.



**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 5 - DEPOSITS AND INVESTMENTS**-(Continued)

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the fair 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 fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 5 - DEPOSITS AND INVESTMENTS**-(Continued)

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposits and Investment Risk Disclosures."

**Deposits:** Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At June 30, 2014, the carrying amount of all District deposits was \$1,129,867. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2014, \$903,252 of the District's bank balance of \$1,153,952 was exposed to custodial risk as discussed above while \$250,700 was covered by Federal Deposit Insurance. The \$903,252 exposed to custodial risk was collateralized with securities held by the District or its agency in the District's name.

**Investments:** As of June 30, 2014, the District had the following investments and maturities:

	<b>Fair Value</b>	<b>6 Months or less</b>
STAR Ohio	\$1,340,525	\$1,340,525
Total Investments	\$1,340,525	\$1,340,525

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

**Credit Risk:** "Standard and Poor's has assigned STAR Ohio an "AAA" money marked rating."

**Custodial Credit Risk:** For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. District policy provides that investment collateral is held by the counter party as trust department or agent, and may be held in the name of the District or not.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 6 - 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 of 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 revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 revenue received in calendar 2013 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2013 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.

The District receives property taxes from Meigs County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the delinquent taxes outstanding and real property, and public utility taxes which become measurable as of June 30, 2014. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The total amount available as an advance at June 30, 2014 was \$854,643 and is recognized as revenue. Of this total amount, \$772,618 was available to the General Fund, \$69,556 was available to the Bond Retirement Debt Service Fund, and \$12,469 was available to the Classroom Facilities Maintenance Nonmajor Special Revenue Fund.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2014 operations have been recorded as deferred inflows of resources on the Statement of Net Position and Governmental Fund Balance Sheet.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 6 - PROPERTY TAXES**-(Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	<b>2013 Second- Half Collections</b>		<b>2014 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$62,549,170	89.73%	\$69,640,140	90.30%
Public Utility Personal	7,159,890	10.27%	7,483,560	9.70%
Total Assessed Value	<u>\$69,709,060</u>	<u>100.00%</u>	<u>\$77,123,700</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$20.00		\$20.00	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 consisted of property taxes, accounts (student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	
Nonmajor Special Revenue Funds:	
Miscellaneous Federal Grant Fund	\$157,201
Idea Part - B	36,176
Title I	49,883
Title II - A	21,366
Race to the Top	<u>12,724</u>
Total Intergovernmental Receivables	<u>\$277,350</u>

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 8 - CAPITAL ASSETS**

Capital asset governmental activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2014</u>
Capital Assets:				
Nondepreciable Capital Assets				
Land	\$23,487	\$0	\$0	\$23,487
Total Nondepreciable Capital Assets	<u>23,487</u>	<u>0</u>	<u>0</u>	<u>23,487</u>
Depreciable Capital Assets				
Land Improvements	395,242	0	0	395,242
Buildings and Improvements	10,981,784	11,800	0	10,993,584
Furniture, Fixtures and Equipment	1,699,572	47,925	189,889	1,557,608
Vehicles	1,074,690	0	43,920	1,030,770
Library Books and Textbooks	504,146	11,545	0	515,691
Total Depreciable Capital Assets	<u>14,655,434</u>	<u>71,270</u>	<u>233,809</u>	<u>14,492,895</u>
Less Accumulated Depreciation				
Land Improvements	274,662	16,735	0	291,397
Buildings and Improvements	4,530,511	235,539	0	4,766,050
Furniture, Fixtures and Equipment	1,303,077	61,572	160,551	1,204,098
Vehicles	732,622	48,632	39,528	741,726
Library Books and Textbooks	414,411	13,114	0	427,525
Total Accumulated Depreciation	<u>7,255,283</u>	<u>375,592</u>	<u>200,079</u>	<u>7,430,796</u>
Depreciable Capital Assets, Net	<u>7,400,151</u>	<u>(304,322)</u>	<u>33,730</u>	<u>7,062,099</u>
Total Capital Assets, Net	<u>\$7,423,638</u>	<u>(\$304,322)</u>	<u>\$33,730</u>	<u>\$7,085,586</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$232,624
Special	5,535
Support Services:	
Administration	880
Fiscal	267
Operation and Maintenance of Plant	30,425
Pupil Transportation	53,012
Operation of Non-Instructional Services:	12,538
Extracurricular	40,311
Total Depreciation Expense	<u>\$375,592</u>

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in the Schools of Ohio Risk Sharing Authority, Inc. for insurance coverage. Coverages provided are as follows:

Property Insurance	\$29,023,890
Equipment Breakdown	50,000,000
Automobile Liability	15,000,000
Wrongful Acts	15,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	15,000,000
Total per Year	17,000,000

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 2014, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

The District provides a dental insurance program for its employees. Premiums are paid directly to a third party administrator, Medical Claims Services, Inc., out of the District's Self-Insurance Internal Service Fund. Medical Claims Services, Inc. services all claims submitted by employees. The Internal Service Fund presented in the financial statements reflects the premiums paid by the same funds that pay the employees' salaries. The premiums paid into the Internal Service Fund are used for claims, claim reserves and administrative costs. This District pays 100% of the premiums for dental insurance.

The claims liability of \$5,782 reported at June 30, 2014 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past fiscal year are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2013	\$3,508	\$305,086	\$305,382	\$3,212
2014	\$3,212	\$67,822	\$65,252	\$5,782

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 9 - RISK MANAGEMENT** (Continued)

During fiscal year 2003, the District elected to stop providing medical and prescription drug benefits through the Self- Insurance Internal Service Fund and switch to a fully funded plan. The District's dental insurance program remains a self-funded plan, which represents the claims payable as June 30, 2014.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, 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, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School District rate is 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 ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$169,450, \$163,380, and \$160,799, respectively; 59.0 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

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

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

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** - (Continued)

**B. State Teachers Retirement System** (Continued)

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

**Funding Policy** - For fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$460,415, \$466,323, and \$465,976, respectively; 85.1 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. \$73,756 representing the unpaid contribution for fiscal year 2014 is recorded as a liability in the statement of net position.

**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, 2014, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, and traditional indemnity plans. 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. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 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 2014 was \$104.90, SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.



**EASTERN LOCAL SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 11 - POSTEMPLOYMENT BENEFITS** – (Continued)

**A. School Employees Retirement System** (Continued)

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e).

For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount. For fiscal year 2014, the minimum compensation level was established at \$20,250.

Active members do not contribute to the postemployment benefit plans. The 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 on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,811, \$1,995, and \$6,316, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$9,831, \$9,229 and \$8,613, respectively, which equaled the required contributions each year.

**B. State Teachers Retirement System**

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$35,417, \$35,871 and \$33,284, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**EASTERN LOCAL SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 12 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year 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 250 days for classified employees and 245 for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 50 days classified employees and 50 days for certified employees.

**Health, Prescription Drug, and Life Insurance**

The District participates in the Jefferson Health Plan. The district contributes premiums to the consortium for the purchase of health insurance benefits. The individual stop-loss amount is \$35,000 per year. The Program purchases additional stop loss insurance for the consortium. Three plans are offered to district employees. Plan A is a traditional preferred provider plan and employees contribute 10% of the cost of the premium which is \$756.19/\$1620.39 single/family coverage. Plan B is a HDHP with an HSA the board contributes \$750/\$1500 to the HSA for certified employees and \$1,125/\$2,250 for classified employees to cover the high deductible and 100% of the premium which is \$626.12/\$1,453.08 single/family. Plan C is a HDHP with an HSA the board contributes \$750/\$1500 to the HSA for certified employees and \$1,125/\$2,250 for classified employees to cover the high deductible and 100% of the premium which is to cover the high deductible and 100% of the premium which is \$680,57/\$1,579.44 single/family.

The District provides life insurance and accidental death and dismemberment insurance to all employees through School Claims Services, Assurant Life in the amount of \$20,000 for classified employees and \$25,000 for certified employees. The Superintendent, Treasurer, and three principals have life insurance that is equal to their yearly salaries. The District pays 100% of the premiums.

**NOTE 13 - LONG-TERM LIABILITIES**

The changes in the District's long-term liabilities during fiscal year 2014 were as follows:

	<b>Principal Outstanding At July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding At June 30, 2014</b>	<b>Amount Due Within One Year</b>
Governmental Activities:					
2006 Refunding Bonds 5.125%	\$725,000	\$0	\$75,000	\$650,000	\$75,000
Premium on Bonds Issued	48,997	0	4,363	44,634	4,363
Compensated Absences	199,626	153,716	28,764	324,578	51,315
Total Governmental Activities Long-Term Obligations	<u>\$973,623</u>	<u>\$153,716</u>	<u>\$108,127</u>	<u>\$1,019,212</u>	<u>\$130,678</u>

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 13 - LONG-TERM LIABILITIES – (Continued)**

Refunding General Obligation Bonds - During fiscal year 2008, the District issued \$1,055,000 of general obligation bonds for the advance refunding of \$1,105,000 of the 1997 series bonds. The proceeds of the refunding were deposited in an irrevocable trust to provide for all future debt service payments. The payment to the escrow agent resulted in an in-substance defeasance of the 1997 Series bonds. As a result, the liability for the 1997 Series bonds was removed as a liability of the District, except for a final \$50,000 payment due by the District on December 1, 2007. The \$70,812 premium on the issuance of the refunding bonds and the \$64,868 of bond issuance costs are netted against this new debt and will be amortized over the life of this new debt, which has the same remaining life of the refunded debt of 14 years with a final maturity of December 1, 2021. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in an economic gain of \$165,036 and a reduction of \$159,092 in future debt service payments. The refunding bonds are retired through the Bond Retirement Fund using tax revenues.

The compensated absences are paid from the fund from which the respective employees' salaries are paid.

The District's overall legal debt margin was \$6,291,133 with an unvoted debt margin of \$77,124 at June 30, 2014.

The annual requirements to retire the general obligation renovation bonds outstanding at June 30, 2014 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Refunding Bonds</u>	<u>Interest</u>	<u>Total</u>
2015	\$75,000	\$31,391	\$106,391
2016	85,000	27,291	112,291
2017	90,000	22,806	112,806
2018	95,000	18,065	113,065
2019	95,000	13,197	108,197
2020 - 2021	210,000	11,019	221,019
Total	<u>\$650,000</u>	<u>\$123,769</u>	<u>\$773,769</u>

**EASTERN LOCAL SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 14 – FUND BALANCES**

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

<b>Fund Balance</b>	<b>General</b>	<b>Bond Retirement</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:				
Prepaid Items	\$51,774	\$0	\$0	\$51,774
Inventory	0	0	2,169	2,169
Restricted for:				
Set Asides	92,882	0	0	92,882
Special Revenues:				
Athletics	0	0	14,081	14,081
Facilities Maintenance	0	0	190,756	190,756
Food Service	0	0	50,510	50,510
Local Grants	0	0	3,118	3,118
Federal Grants	0	0	24,868	24,868
Debt Service	0	553,385	0	553,385
Capital Projects	0	0	7,538	7,538
Committed:				
Eagle Express	0	0	2,740	2,740
Education Foundation	0	0	389,215	389,215
Assigned:				
Uniform School Supply	81	0	0	81
Community Education	7	0	0	7
Public School Support	15,986	0	0	15,986
Encumbrances	60,479	0	0	60,479
Unassigned	817,872	0	(11,266)	806,606
<b>Total Fund Balance</b>	<b>\$1,039,081</b>	<b>\$553,385</b>	<b>\$673,729</b>	<b>\$2,266,195</b>

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 2014, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$3,129	\$0
Nonmajor Special Revenue Funds:		
Idea Part B	0	16
Miscellaneous Federal Grant Fund	0	3,113
Total Nonmajor Special Revenue	0	\$3,129
Total	\$3,129	\$3,129

All the interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

**NOTE 16 - STATUTORY SET-ASIDES**

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

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

	Capital Acquisition	Budget Stabilization
Set-Aside Balance as of July 1, 2013	\$0	\$52,866
Current Year Set-Aside Requirement	140,909	0
Offset Credits	(25,610)	0
Qualifying Disbursements	(75,283)	0
Total	\$40,016	\$52,866
Set-aside Balance as of June 30, 2014	\$40,016	\$52,866
Total Restricted Assets	\$40,016	\$52,866

Senate Bill 345 eliminated the Budget Stabilization Reserve, except for amounts related to unspent Bureau of Workers compensation refunds. The Bill requires the Board of Education to designate its intended use of the Reserve. The Board of Education designated, by motion, that the reserve will be used to address unforeseen or emergency situations.

**EASTERN LOCAL SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 17 – ENCUMBRANCE COMMITMENTS**

At June 30, 2014, the District had encumbrance commitments in the General Fund in the amount of \$86,769.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

**Southeast Ohio Voluntary Education Cooperative (SEOVEC)**

Southeast Ohio Voluntary Education Cooperative, is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC has 28 participants consisting of 25 school districts and 3 educational service centers. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to member districts. Each member district pays a fee annually for services provided by SEOVEC. SEOVEC is governed by a governing board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. Athens-Meigs Educational Service Center of Athens County serves as the fiscal agent. The continued existence of SEOVEC is not dependent on the District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. Financial statements for SEOVEC can be obtained from the Southeast Ohio Voluntary Education Cooperative, 221 North Columbus Road, Athens, Ohio 45701. The District made payments of \$51,685 to SEOVEC in fiscal year 2014.

**Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various in service for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council. The District paid \$325 for membership in fiscal year 2014.

**EASTERN LOCAL SCHOOL DISTRICT  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 19 - INSURANCE PURCHASING POOL**

**Jefferson Health Plan**

The District participates in the Jefferson Health Plan, an insurance purchasing pool. The Plan's business and affairs are conducted by a Board of Trustees consisting of the current Superintendent of each of the school districts and county boards of education in the Plan. The Executive Director, or his designee, serves as coordinator of the program. Each month, the participating school districts pay a premium to the Plan to cover the costs of administering the program.

**Ohio School Boards Association Worker's Compensation Group Rating Plan**

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

**Schools of Ohio Risk Sharing Authority**

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons, which might result in claims being made against members of SORSA, their employees or officers.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. SORSA employs an Executive Director and a Member Services Coordinator to administer the pool while claims are processed by Avizent. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483 or by calling 866-767-7299.

**NOTE 20 - CONTINGENCIES**

**Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2014.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

**NOTE 21 - CHANGE IN ACCOUNTING PRINCIPLE**

For 2014, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 67, "Financial Reporting of Pension Plans" and Governmental Accounting Standard Board (GASB) Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position..

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit.



**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2013/2014	10.555	\$ 23,229	\$ 23,512
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	76,322	76,322
National School Lunch Program	2013/2014	10.555	148,445	148,445
Cash Assistance Subtotal			<u>224,767</u>	<u>224,767</u>
Total Child Nutrition Cluster			<u>247,996</u>	<u>248,279</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Direct from Federal Government</i>				
Fund for the Improvement of Education	2013 2014	84.215E	56,795 <u>232,261</u>	56,795 <u>232,261</u>
Total Fund for the Improvement of Education			289,056	289,056
<i>Passed Through Ohio Department of Education:</i>				
Title 1 Grants to Local Educational Agencies	2013 2014	84.010	19,667 <u>144,968</u>	19,667 <u>144,962</u>
Total Title 1 Grants to Local Educational Agencies			164,635	164,629
Special Education - Grants to States	2013 2014	84.027	26,053 <u>150,946</u>	26,316 <u>150,961</u>
Total Special Education - Grants to States			176,999	177,277
Twenty-First Century Community Learning Centers	2013 2014	84.287	26,688 <u>106,952</u>	25,004 <u>107,687</u>
Total Twenty-First Community Learning Centers			133,640	132,691
Improving Teacher Quality State Grants	2013 2014	84.367	8,984 <u>28,934</u>	8,984 <u>28,933</u>
Total Improving Teacher Quality State Grants			37,918	37,917
ARRA - Race to the Top	2013 2014	84.395	(1,295) <u>18,118</u>	353 <u>17,833</u>
Total ARRA - Race to the Top			16,823	18,186
Total U.S. Department of Education			<u>819,071</u>	<u>819,756</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 1,067,067</u></b>	<b><u>\$ 1,068,035</u></b>

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

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the District's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C - FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with The Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2013 to 2014 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2013 to 2014</u>
ARRA – Race to the Top	84.395	(\$1,295)



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Eastern Local School District  
Meigs County  
50008 State Route 681  
Reedsville, Ohio 45772

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Meigs County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 2, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 2, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Eastern Local School District  
Meigs County  
50008 State Route 681  
Reedsville, Ohio 45772

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Eastern Local School District's, Meigs County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

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

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 2, 2015

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> <li>• Fund for the Improvement of Education – CFDA #84.215</li> </ul>	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**EASTERN LOCAL SCHOOL DISTRICT**

**MEIGS 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  
MARCH 24, 2015**