



Dave Yost • Auditor of State

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Eastern Local School District, Meigs County, Ohio, as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

January 11, 2013

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
(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, 2012. 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 of the District exceeded its liabilities at June 30, 2012 by \$9,264,062. Of this amount, \$7,860,048 represents the amount invested in capital assets, net of related debt and net asset amounts restricted for specific purposes. The remaining \$1,404,014 represents unrestricted net assets.

In total, net assets of governmental activities increased by \$740,191, which represents an 8.7 percent increase from 2011.

General revenues accounted for \$7,261,242 or 77.52 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,105,108 or 22.48 percent of total revenues of \$9,366,350.

The District had \$8,626,159 in expenses related to governmental activities; only \$2,105,108 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 \$7,261,242 and net assets 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 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 \$7,645,107 in revenues and \$7,083,280 in expenditures and other financing uses in fiscal year 2012.

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.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
(Unaudited)

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 Assets 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.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets 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 assets changed during the recent fiscal year. All changes in net assets 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 9. 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 two major governmental funds are the General Fund and the Bond Retirement Fund.

**EASTERN LOCAL SCHOOL DISTRICT
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Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
(Unaudited)

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.

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.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
(Unaudited)

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2012 compared to fiscal year 2011:

**Table 1
Net Assets
Governmental Activities**

	2012	2011
Assets		
Current and Other Assets	\$4,578,960	\$3,712,467
Capital Assets, Net	7,607,300	7,885,161
Total Assets	12,186,260	11,597,628
Liabilities		
Long-Term Liabilities	1,031,378	1,109,683
Other Liabilities	1,890,820	1,964,074
Total Liabilities	2,922,198	3,073,757
Net Assets		
Invested in Capital Assets, Net of Related Debt	6,800,882	7,013,743
Restricted	1,059,166	840,834
Unrestricted	1,404,014	669,294
Total	<u>\$9,264,062</u>	<u>\$8,523,871</u>

Current and other assets increased \$588,632 from fiscal year 2011 due to an increase in cash and cash equivalents held by the District. Capital assets decreased by \$277,861 or 3.52 percent due to current year depreciation expense.

Current (other) liabilities decreased by \$73,254 or 3.73 percent primarily due to decreases in deferred revenue and intergovernmental payables.

Long-term liabilities decreased by \$78,305 due to scheduled payments for bonds.

The District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. This accounts for 73.41 percent of net assets. 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 balance is unrestricted. This accounts for 15.15 percent of all net assets. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors

The District's smallest portion of net assets of \$1,059,166 or 11.44 percent is restricted net assets. The restricted net assets are subjected to external restrictions on how they may be used.

**EASTERN LOCAL SCHOOL DISTRICT
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Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2012 and provides a comparison to fiscal year 2011.

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

	2012	2011
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$864,441	\$847,709
Operating Grants and Contributions	1,240,667	1,434,071
General Revenues:		
Property Taxes	1,653,610	1,338,048
Unrestricted Grants and Entitlements	5,459,411	5,176,474
Gifts and Donations	113,948	0
Investment Earnings	5,584	9,403
Miscellaneous	28,689	53,516
Total Revenues	9,366,350	8,859,221
Expenses:		
Program Expenses		
Instruction:		
Regular	4,028,563	3,995,931
Special	767,382	971,100
Student Intervention Services	70	13,138
Support Services:		
Pupils	487,328	447,235
Instructional Staff	362,769	392,458
Board of Education	39,463	33,117
Administration	473,355	547,988
Fiscal	244,921	270,390
Operation and Maintenance of Plant	827,049	809,671
Pupil Transportation	628,567	584,654
Central	97,327	100,798
Operational of Non-Instructional Services	377,282	381,893
Extracurricular Activities	249,939	196,643
Interest and Fiscal Charges	42,144	45,746
Total Expenses	8,626,159	8,790,762
Change in Net Assets	740,191	68,459
Net Assets – Beginning of Year	8,523,871	8,455,412
Net Assets – End of Year	\$9,264,062	\$8,523,871

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
(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 72.47 percent of the total governmental activities. Regular Instruction, which accounts for 46.70 percent of the total, represents costs associated with providing general educational services. Special Instruction, 8.90 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 9.59 percent of the total, represent costs associated with operating and maintaining the District's facilities. Pupil Transportation, which represents 7.29 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 71.53 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 17.65 percent and intergovernmental revenue made up 71.53 percent of the total revenue for the governmental activities in fiscal year 2012.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

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 2012, the District received \$5,210,801 through the State's foundation program, which represents 55.63 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 55.59 percent of governmental activities program expenses. Support services expenses make up 36.64 percent of governmental activities expenses. The statement of activities shows the cost of program services 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 2012 compared with fiscal year 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
(Unaudited)

**Table 3
Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
Program Expenses:				
Instruction:	\$4,796,015	\$3,578,507	\$4,980,169	\$3,621,890
Support Services:	3,160,779	2,732,338	3,186,311	2,900,433
Operational of Non-Instructional Services	377,282	(14,135)	381,893	(179,387)
Extracurricular Activities	249,939	182,197	196,643	120,300
Interest and Fiscal Charges	42,144	42,144	45,746	45,746
Total Expenses	<u>\$8,626,159</u>	<u>\$6,521,051</u>	<u>\$8,790,762</u>	<u>\$6,508,982</u>

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 \$9,383,532 and expenditures of \$8,523,835

Total governmental funds fund balance increased by \$859,697. The increase in fund balance for the year was most significant in the General Fund, an increase of \$561,827 due primarily to an increase in revenues. The fund balance in the Bond Retirement Fund increased \$75,708 due primarily to an increase in revenues during the year.

The District should remain stable in fiscal years 2012 through 2013. However, projections beyond fiscal year 2013 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 2012, 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 cash flow plan for the General Fund. Actual cash flow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
(Unaudited)

For the General Fund, the final budget basis revenue and other financing sources were \$7,389,473 representing a \$323,303 increase from the original budget estimate of \$7,066,170. The final budget reflected a 4.59 percent increase from the original budgeted amount. Most of this difference was due to the underestimate of intergovernmental revenue and gifts and donations. For the General Fund, the final budget basis expenditures were \$7,201,103, representing a \$10,064 increase from the original budgeted expenditures of \$7,191,039.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$14.5 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$6.9 million. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011.

**Table 4
Capital Assets & Accumulated Depreciation**

	Governmental Activities	
	2012	2011
Nondepreciable Capital Assets:		
Land	\$23,487	\$23,487
Depreciable Capital Assets:		
Land Improvements	394,492	394,492
Buildings and Improvements	10,958,429	10,958,429
Furniture, Fixtures and Equipment	1,667,408	1,648,607
Vehicles	991,899	918,310
Library Books and Textbooks	496,599	491,265
Total Capital Assets	14,532,314	14,434,590
Less Accumulated Depreciation:		
Land Improvements	257,946	241,253
Buildings and Improvements	4,295,947	4,058,653
Furniture, Fixtures and Equipment	1,251,294	1,194,316
Vehicles	689,461	644,394
Library Books and Textbooks	430,366	410,813
Total Accumulated Depreciation	6,925,014	6,549,429
Total Capital Assets, Net	\$7,607,300	\$7,885,161

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.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
(Unaudited)

Debt Administration

At June 30, 2012 the District had \$795,000 in bonds outstanding with \$70,000 due within one year. Table 5 summarizes bonds outstanding for fiscal year 2012 compared to fiscal year 2011.

Table 5
Outstanding Debt

Purpose	Governmental Activities	
	2012	2011
School Improvement Refunding Bonds	\$795,000	\$860,000
Total	\$795,000	\$860,000

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 is financially stable. The state is experiencing difficult economic times. The District is currently deficit spending and most monitor and cut operating costs. As indicated in the preceding financial information, the District is heavily dependent on intergovernmental revenue. Over half of the District's funding is received through the Bridge Model, which along with other various grants and entitlements makes up 78.55 percent of the District's revenue. The District relies on state and federal funding to operate at the current level of services. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning and the passage of a building levy have permitted the District to provide a quality education for our students along with renovated facilities for the future. The district anticipates receiving an effective rating for school year 2011-2012. The 2011-2012 report card has not been released at the time of this report.

The State Legislature has also made several significant changes impacting local taxes:

In 2003 the Ohio Legislature modified the provisions of the 1999 HB283. This bill was designed to reduce the assessed valuation of the inventory component of personal property tax from 25 percent to 0 percent by 2031. Substitute H.B. 153 introduced major changes in the reimbursement calculation and distribution schedule. Eastern Local School District does not meet the ration of tangible personal property replacement to total resources. The District will not receive any tangible personal property replacements funds after FY 2011. This is an estimated loss of \$40,000.

Effective January 1, 2001 non-municipal owned electric utilities and rural cop-ops were deregulated in the State of Ohio. All electric company personal property were reduced from 100 percent assessed value (from 50 percent for rural co-ops) to 25 percent. (Distribution and transmission of personal property will continue to be assessed at 88 percent.) This significantly reduced revenues to certain school districts and moderately affects others.

Effective May 1, 2001 a kilowatt hour (KWH) tax began being collected. 37.8 percent of these new dollars would be deposited in a new Property Tax Replacement Fund (PTRF). 70 percent of the PTRF will be paid to school districts that lost revenue as determined by the Ohio Department of Taxation. First, distribution will be made to cover costs of fixed sum levies such as debt issues and emergency levies. Next, fixed rate levies would be replaced through 2006; after this a phase out formula would begin.

**EASTERN LOCAL SCHOOL DISTRICT
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Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
(Unaudited)

Former Governor Ted Strickland proposed a new funding formula known as the Evidenced Based Model in FY 2010 and FY 2011. This funding model provided funding for specific positions and functions within a school district. Due to the economic condition of the state this funding was capped by a 0.75 % increase. Governor John Kasich began his term January 1, 2011 and proposed the elimination of the Evidenced Based Model for the upcoming biennium. A "Bridge" funding model will be used for FY 2012 and a committee will be formed to make recommendations for a funding model for FY 2014. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has not eluded the District over the past few years. Increasing numbers of housing developments are being approved by the townships. The new developments are attracting young families to the area as evidenced by the residential permits issued in the townships. Residential/agricultural property contributes 86 percent of the District's real estate valuation.

The federal government introduced a second round of stimulus funding, the Education Jobs Fund, for school districts on August 10, 2010. These funds were in response to states not having adequate funds to support education. Huge teacher lay-offs were being announced nationwide. Ohio is estimated to receive \$361 million from the program. The district received \$255,158 from the Education Jobs Grant in FY 2012. These funds will not be received in FY 2013.

State income tax revenue and sales tax revenue currently is being received at greater amounts than estimated. Unemployment rates are currently slightly lower than one year ago. A significant burden will be placed on school districts throughout Ohio if the economy does not recover to replace the federal stimulus funds currently being received. A casino amendment was placed in section 6(C) of Article XV of the Ohio Constitution. This amendment allows for four casinos to be constructed in the state and imposes a 33% tax on casino gross receipts. 34% of the proceeds from this tax are to be distributed to public schools. It is anticipated these receipts will begin to be collected by public school in January 2013. The District receives 78% of its operating revenue from state sources.

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.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Net Assets
June 30, 2012**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	2,321,609
Materials and Supplies Inventory		4,132
Accounts Receivable		83
Intergovernmental Receivable		202,154
Taxes Receivable		1,956,174
Restricted Assets:		
Equity in Pooled Cash and Cash Equivalents		52,866
Deferred Charges		41,942
Non-Depreciable Capital Assets		23,487
Depreciable Capital Assets, net		7,583,813
Total Assets		<u>12,186,260</u>
 LIABILITIES:		
Accounts Payable		2,378
Accrued Wages and Benefits		870,351
Intergovernmental Payable		185,359
Accrued Interest Payable		3,246
Deferred Revenue		825,978
Claims Payable		3,508
Long-Term Liabilities:		
Due Within One Year		106,440
Due in More Than One Year		924,938
Total Liabilities		<u>2,922,198</u>
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		6,800,882
Restricted for:		
Capital		7,538
Debt Service		542,032
Other Purposes		509,596
Unrestricted		1,404,014
Total Net Assets	\$	<u>9,264,062</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, 2012**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 4,028,563	\$ 649,899	\$ 316,380	\$ (3,062,284)
Special	767,382	0	251,229	(516,153)
Student Intervention Services	70	0	0	(70)
Support Services:				
Pupils	487,328	0	77,743	(409,585)
Instructional Staff	362,769	0	300,575	(62,194)
Board of Education	39,463	0	0	(39,463)
Administration	473,355	0	0	(473,355)
Fiscal	244,921	0	0	(244,921)
Operation and Maintenance of Plant	827,049	0	0	(827,049)
Pupil Transportation	628,567	0	46,523	(582,044)
Central	97,327	0	3,600	(93,727)
Operation of Non-Instructional Services	377,282	146,800	244,617	14,135
Extracurricular Activities	249,939	67,742	0	(182,197)
Interest and Fiscal Charges	42,144	0	0	(42,144)
Totals	\$ 8,626,159	\$ 864,441	\$ 1,240,667	(6,521,051)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,466,103
Property Taxes, Levied for Debt Service				161,615
Property Taxes, Levied for Other				25,892
Grants and Entitlements not Restricted to Specific Programs				5,459,411
Gifts and Donations				113,948
Investment Earnings				5,584
Miscellaneous				28,689
Total General Revenues				7,261,242
Change in Net Assets				740,191
Net Assets Beginning of Year				8,523,871
Net Assets End of Year				\$ 9,264,062

See accompanying notes to the basic financial statements.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2012**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,091,624	\$ 434,734	\$ 629,999	\$ 2,156,357
Materials and Supplies Inventory	0	0	4,132	4,132
Accounts Receivable	83	0	0	83
Interfund Receivable	23,132	0	0	23,132
Intergovernmental Receivable	0	0	201,884	201,884
Taxes Receivable	1,735,442	190,088	30,644	1,956,174
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	52,866	0	0	52,866
Total Assets	\$ 2,903,147	\$ 624,822	\$ 866,659	\$ 4,394,628
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 2,198	\$ 0	\$ 180	\$ 2,378
Accrued Wages and Benefits	718,871	0	151,480	870,351
Interfund Payable	0	0	23,132	23,132
Intergovernmental Payable	152,384	0	32,975	185,359
Deferred Revenue	1,047,948	114,133	67,650	1,229,731
Total Liabilities	1,921,401	114,133	275,417	2,310,951
Fund Balances				
Nonspendable	0	0	4,132	4,132
Restricted	52,866	510,689	248,293	811,848
Committed	0	0	351,479	351,479
Assigned	134,210	0	0	134,210
Unassigned	794,670	0	(12,392)	782,278
Total Fund Balances	981,746	510,689	591,512	2,083,947
Total Liabilities and Fund Balances	\$ 2,903,147	\$ 624,822	\$ 866,929	\$ 4,394,898

See accompanying notes to the basic financial statements.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2012**

Total Governmental Fund Balances	\$	2,083,947
<p>Amounts reported for governmental activities on the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.</p>		7,607,300
<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	354,525	
Intergovernmental revenue	49,228	
Total	403,753	403,753
<p>Unamortized issuance costs represent deferred charges which do not provide current financial resources and are therefore not reported in the funds.</p>		41,942
<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 included in governmental activities in the statement of net assets.</p>		161,744
<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	(3,246)	
Refunding bonds	(848,360)	
Compensated Absences	(183,018)	
	(1,034,624)	
Net Assets of Governmental Activities	\$	9,264,062

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, 2012**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,496,581	\$ 164,961	\$ 26,603	\$ 1,688,145
Intergovernmental	5,431,394	24,110	1,227,221	6,682,725
Interest	4,465	0	1,119	5,584
Tuition and Fees	608,465	0	0	608,465
Rent	41,434	0	0	41,434
Extracurricular Activities	0	0	67,742	67,742
Gifts and Donations	34,861	0	79,087	113,948
Customer Sales and Services	0	0	146,800	146,800
Miscellaneous	27,907	0	782	28,689
Total Revenues	<u>7,645,107</u>	<u>189,071</u>	<u>1,549,354</u>	<u>9,383,532</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,504,367	0	276,273	3,780,640
Special	538,485	0	233,366	771,851
Student Intervention Services	70	0	0	70
Support Services:				
Pupils	418,787	0	66,439	485,226
Instructional Staff	102,271	0	265,360	367,631
Board of Education	39,465	0	0	39,465
Administration	475,468	0	0	475,468
Fiscal	237,558	5,954	942	244,454
Operation and Maintenance of Plant	737,332	0	0	737,332
Pupil Transportation	632,522	0	46,523	679,045
Central	95,368	0	3,600	98,968
Operation of Non-Instructional Services	1,064	0	363,778	364,842
Extracurricular Activities	139,670	0	70,911	210,581
Capital Outlay	60,853	0	0	60,853
Debt Service:				
Principal	0	65,000	0	65,000
Interest	0	42,409	0	42,409
Total Expenditures	<u>6,983,280</u>	<u>113,363</u>	<u>1,327,192</u>	<u>8,423,835</u>
Excess of Revenues Over (Under) Expenditures	<u>661,827</u>	<u>75,708</u>	<u>222,162</u>	<u>959,697</u>
OTHER FINANCING SOURCES AND USES:				
Transfers Out	(100,000)	0	0	(100,000)
Total Other Financing Sources and Uses	<u>(100,000)</u>	<u>0</u>	<u>0</u>	<u>(100,000)</u>
Net Change in Fund Balances	561,827	75,708	222,162	859,697
Fund Balance (Deficit) at Beginning of Year	419,919	434,981	369,080	1,223,980
Fund Balance (Deficit) at End of Year	<u>\$ 981,746</u>	<u>\$ 510,689</u>	<u>\$ 591,242</u>	<u>\$ 2,083,677</u>

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, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ 859,697

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 capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	115,003	
Depreciation	<u>(390,647)</u>	
		(275,644)

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 assets 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		(2,217)
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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	17,353	
Delinquent Property Taxes	<u>(34,535)</u>	
		(17,182)

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

65,000

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.

101,330

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

265

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>8,942</u>	
		<u>8,942</u>

Change in Net Assets of Governmental Activities	\$	<u><u>740,191</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 and Actual (Budget Basis)
General Fund
June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$ 1,132,000	\$ 1,209,700	\$ 1,209,736	\$ 36
Intergovernmental	5,289,400	5,445,680	5,431,394	(14,286)
Interest	8,000	5,000	4,465	(535)
Tuition and Fees	602,770	604,455	607,739	3,284
Rent	27,000	27,000	41,351	14,351
Gifts and Donations	1,000	31,000	28,780	(2,220)
Miscellaneous	4,500	4,500	2,827	(1,673)
Total Revenues	<u>7,064,670</u>	<u>7,327,335</u>	<u>7,326,292</u>	<u>(1,043)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,496,881	3,497,940	3,511,832	(13,892)
Special	546,839	544,454	526,700	17,754
Student Intervention Services	11,663	11,189	70	11,119
Support services:				
Pupils	486,222	486,222	406,542	79,680
Instructional Staff	146,047	146,047	113,315	32,732
Board of Education	38,482	38,482	31,754	6,728
Administration	502,781	500,493	485,489	15,004
Fiscal	250,950	253,238	243,337	9,901
Operation and Maintenance of Plant	866,345	860,344	793,737	66,607
Pupil Transportation	546,731	642,858	672,755	(29,897)
Central	102,452	102,452	95,057	7,395
Operation of Non-Instructional Services	6,528	6,528	1,064	5,464
Extracurricular activities	132,710	132,710	124,142	8,568
Capital Outlay	56,408	70,915	70,971	(56)
Total Expenditures	<u>7,191,039</u>	<u>7,293,872</u>	<u>7,076,765</u>	<u>217,107</u>
Excess of Revenues Over (Under) Expenditures	<u>(126,369)</u>	<u>33,463</u>	<u>249,527</u>	<u>216,064</u>
Other Financing Sources (Uses):				
Transfers In	0	0	1,206	1,206
Advances In	0	32,600	32,654	54
Proceeds from Sale of Capital Assets	1,500	1,500	0	(1,500)
Refund of Prior Year Expenditures	0	29,300	29,321	21
Transfers Out	0	0	(101,206)	(101,206)
Advances Out	0	0	(23,132)	(23,132)
Total Other Financing Sources (Uses)	<u>1,500</u>	<u>63,400</u>	<u>(61,157)</u>	<u>(124,557)</u>
Net Change in Fund Balance	(124,869)	96,863	188,370	91,507
Fund Balance at Beginning of Year	710,813	710,813	710,813	0
Prior Year Encumbrances Appropriated	108,847	108,847	108,847	0
Fund Balance at end of Year	<u>\$ 694,791</u>	<u>\$ 916,523</u>	<u>\$ 1,008,030</u>	<u>\$ 91,507</u>

See accompanying notes to the basic financial statements.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fund Net Assets
Internal Service Fund
June 30, 2012**

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>165,252</u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>3,508</u>
NET ASSETS:	
Unrestricted	<u>161,744</u>
Total Net Assets	\$ <u><u>161,744</u></u>

See accompanying notes to the basic financial statements.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
June 30, 2012**

OPERATING REVENUES:	
Other Revenues	\$ <u>54,678</u>
OPERATING EXPENSES:	
Claims	<u>53,348</u>
Operating Income (Loss)	1,330
NON-OPERATING REVENUES (EXPENSES):	
Transfer In	<u>100,000</u>
Net Change in Net Assets	101,330
Net Assets (Deficit) at Beginning of Year	60,414
Net Assets (Deficit) at End of Year	\$ <u><u>161,744</u></u>

See accompanying notes to the basic financial statements.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Cash Flows
Internal Service Fund
June 30, 2012**

	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 54,678
Payments for Claims	<u>(53,756)</u>
Net Cash from Operating Activities	<u>922</u>
Cash Flows from Noncapital Financing Activities	
Transfers In	<u>100,000</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>100,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	100,922
Cash and Cash Equivalents at Beginning of Year	<u>64,330</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>165,252</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ 1,330
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>(408)</u>
Net Cash Provided by Operating Activities	\$ <u><u>922</u></u>

See accompanying notes to the basic financial statements.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2012**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>44,580</u>
Liabilities	
Due to Students	\$ <u>44,580</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, 2012

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's Plains and Chester, and the Townships of Orange, Olive, Chester and a portion of Bedford. It is staffed by 37 non-certificated employees, 61 certificated full-time teaching personnel and 4 administrative employees who provide services to 837 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 Ohio Mid-Eastern Regional Education Service Agency Health Benefits 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the 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 assets 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, 2012
(Continued)

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 assets, 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 assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal 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 assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund 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, 2012
(Continued)

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 Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

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 2012, the District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2012.

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 2012 amounted to \$4,465, which includes \$804 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 to create a reserve for textbooks and 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, 2012
(Continued)

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 assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the 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 assets.

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, 2012
(Continued)

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 Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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 assets 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, 2012
(Continued)

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 2012, 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, 2012
(Continued)

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 2012.

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, 2012:

Nonmajor Special Revenue Funds:	
Education Jobs	\$4,750
Title VI-B	7,030
Title I	43
Title II - A	569

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, 2012
(Continued)

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 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.

Net Change in Fund Balance

GAAP Basis	\$561,827
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2011, Received In Cash FY 2012	404,890
Accrued FY 2012, Not Yet Received in Cash	(716,898)
Expenditure Accruals:	
Accrued FY 2011, Paid in Cash FY 2012	(843,346)
Accrued FY 2012, Not Yet Paid in Cash	902,774
Advances Net	(9,522)
Net Non General Fund Cash Activity	15,853
Encumbrances Outstanding at Year End (Budget Basis)	(127,208)
Budget Basis	\$188,370

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, 2012
(Continued)

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 (STAROhio);
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, 2012
(Continued)

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, 2012, the carrying amount of all District deposits was \$1,153,384. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2012, \$914,855 of the District's bank balance of \$1,164,585 was exposed to custodial risk as discussed above while \$250,000 was covered by Federal Deposit Insurance. The \$914,855 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, 2012, the District had the following investments and maturities:

	Fair Value	6 Months or less
STAROhio	\$1,265,021	\$1,265,021
Total Investments	\$1,265,021	\$1,265,021

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 STAROhio 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, 2012
(Continued)

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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 2011 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property tax) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2012 are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the June 2012 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2012. 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 receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2012 was \$775,671 and is recognized as revenue. Of this total amount, \$687,494 was available to the General Fund, \$75,955 was available to the Bond Retirement Debt Service Fund, and \$12,222 was available to the Classroom Facilities Maintenance Nonmajor Special Revenue Fund.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 6 - PROPERTY TAXES-(Continued)

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$61,437,750	90.21%	\$62,073,620	89.60%
Public Utility Personal	6,670,880	9.79%	7,157,970	10.40%
Total Assessed Value	<u>\$68,108,630</u>	<u>100.00%</u>	<u>\$69,231,590</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$22.80		\$22.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 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:	
Idea Part - B	\$43,614
Education Jobs	56,524
Title I	41,022
Title II - A	16,856
Race to the Top	8,980
21st Century Learning	35,158
Total Intergovernmental Receivables	<u><u>\$202,154</u></u>

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 8 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2012</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	394,492	0	0	394,492
Buildings and Improvements	10,958,429	0	0	10,958,429
Furniture, Fixtures and Equipment	1,648,607	36,080	17,279	1,667,408
Vehicles	918,310	73,589		991,899
Library Books and Textbooks	491,265	5,334		496,599
Total Depreciable Capital Assets	<u>14,411,103</u>	<u>115,003</u>	<u>17,279</u>	<u>14,508,827</u>
Less Accumulated Depreciation				
Land Improvements	241,253	16,693	0	257,946
Buildings and Improvements	4,058,653	237,294	0	4,295,947
Furniture, Fixtures and Equipment	1,194,316	72,040	15,062	1,251,294
Vehicles	644,394	45,067	0	689,461
Library Books and Textbooks	410,813	19,553	0	430,366
Total Accumulated Depreciation	<u>6,549,429</u>	<u>390,647</u>	<u>15,062</u>	<u>6,925,014</u>
Depreciable Capital Assets, Net	<u>7,861,674</u>	<u>(275,644)</u>	<u>2,217</u>	<u>7,583,813</u>
Total Capital Assets, Net	<u>\$7,885,161</u>	<u>(\$275,644)</u>	<u>\$2,217</u>	<u>\$7,607,300</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$255,232
Support Services:	
Pupil	1,259
Instructional Staff	1,084
Administration	1,518
Fiscal	283
Operation and Maintenance of Plant	30,962
Pupil Transportation	48,224
Central	264
Operation of Non-Instructional Services:	12,426
Extracurricular	39,395
Total Depreciation Expense	<u>\$390,647</u>

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

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	\$27,061,420
Equipment Breakdown	50,000,000
Automobile Liability	12,000,000
Wrongful Acts	12,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	12,000,000
Total per Year	14,000,000

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 2012, 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 \$3,508 reported at June 30, 2012 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>
2011	\$4,729	\$54,516	\$55,329	\$3,916
2012	3,916	53,348	53,756	3,508

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

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, 2012.

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 by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, 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. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 1270 percent of the annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$160,799, \$162,413, and \$160,001, respectively; 56.56 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

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 plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090 or by visiting the STRS Ohio website at 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, 2012
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (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, 2012, plan members were required to contribute 10 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 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$465,976, \$479,919, and \$468,943, respectively; 83.74 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. \$75,768 representing the unpaid contribution for fiscal year 2012 is recorded as a liability in the statement of net assets.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, two members of the Board of Education 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. 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 2012 was \$99.90, 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, under Employers/Audit Resources.

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).

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS – (Continued)

For 2012, 0.55 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, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800.

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, 2012, 2011, and 2010 were \$6,316, \$128,170, and \$101,696, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$8,613, \$1,463 and \$1,332, respectively, which equaled the required contributions each year.

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 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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$33,284, \$36,917 and \$36,073, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 12 - EMPLOYEE BENEFITS - (Continued)

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

Effective November 1, 2011 Eastern Local School District joined the Ohio Mid Eastern Regional Education Service Agency Health Benefits Program. 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. Two 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 \$695.63/\$1490.63 single/family coverage. Plan B is a HDHP with an HSA the board contributes \$750/\$1500 to the HSA to cover the high deductible and 100% of the premium which is \$565.09/1311.44 single/family. Employees are responsible for \$750/\$1500 single/family toward their deductible.

The District provides medical and prescription drug insurance coverage through a fully funded plan with School Claims Services, Assurant Life. Effective January 1, 2011, the District offers three plans to choose from Option A \$652/\$1,754 single/family coverage, Option B \$591/\$1,590 single/family and Option C \$480/\$1,292 single/family coverage per month, which represents 100% of the monthly premiums respectively.

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 2012 were as follows:

	Principal Outstanding At July 1, 2011	Additions	Deductions	Principal Outstanding At June 30, 2012	Amount Due Within One Year
Governmental Activities:					
2006 Refunding Bonds 5.125%	\$860,000	\$0	\$65,000	\$795,000	\$70,000
Premium on Bonds Issued	57,723	0	4,363	53,360	4,363
Compensated Absences	191,960	22,169	31,111	183,018	32,077
Total Governmental Activities Long-Term Obligations	<u>\$1,109,683</u>	<u>\$22,169</u>	<u>\$100,474</u>	<u>\$1,031,378</u>	<u>\$106,440</u>

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

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 \$5,435,843 with an unvoted debt margin of \$69,232 at June 30, 2012.

The annual requirements to retire the general obligation renovation bonds outstanding at June 30, 2012 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Refunding Bonds</u>	<u>Interest</u>	<u>Total</u>
2013	\$70,000	\$38,950	\$108,950
2014	75,000	35,234	110,234
2015	75,000	31,391	106,391
2016	85,000	27,291	112,291
2017	90,000	22,806	112,806
2018 - 2021	400,000	42,281	442,281
Total	<u>\$795,000</u>	<u>\$197,953</u>	<u>\$992,953</u>

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

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:

Fund Balance	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$0	\$0	\$4,132	\$4,132
Restricted for:				
Set Asides	52,866	0	0	52,866
Special Revenues:				
Athletics	0	0	15,705	15,705
Facilities Maintenance	0	0	91,360	91,360
Food Service	0	0	109,263	109,263
Local Grants	0	0	2,064	2,064
Federal Grants	0	0	22,363	22,363
Debt Service	0	510,689	0	510,689
Capital Projects	0	0	7,538	7,538
Committed:				
Eagle Express	0	0	3,414	3,414
Education Foundation	0	0	348,065	348,065
Assigned:				
Uniform School Supply	512	0	0	512
Community Education	7	0	0	7
Public School Support	8,681	0	0	8,681
Encumbrances	125,010	0	0	125,010
Unassigned	794,670	0	(12,392)	782,278
Total Fund Balance	\$981,746	\$510,689	\$591,512	\$2,083,947

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2012, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$23,132	
Nonmajor Special Revenue Funds:		
Race to the Top Grant		\$570
IDEA - Part B		2,990
Title I		72
21st Century Learning		19,500
Total Nonmajor Special Revenue		23,132
Total	\$23,132	\$23,132

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. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011.

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, 2011	\$0	\$52,866
Current Year Set-Aside Requirement	120,180	0
Offset Credits	0	0
Qualifying Disbursements	(177,637)	0
Total	(\$57,457)	\$52,866
Set-aside Balance as of June 30, 2012	\$0	\$52,866
Total Restricted Assets	\$0	\$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
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 17 – ENCUMBRANCE COMMITMENTS

At June 30, 2012, the District had encumbrance commitments in the General Fund in the amount of \$127,208.

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 \$19,978 to SEOVEC in fiscal year 2012.

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 inservice 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 2012.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 19 - INSURANCE PURCHASING POOLS

OMERESA Health Benefits Program

The District participates in the Ohio Mid-Eastern Regional Education Service Agency Health Benefits 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.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

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, 2012.

School/Community School Contingency

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

The District received financial assistance from federal and State agencies in the form of grants. The 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2010/2011	10.555	\$ 19,474	\$ 19,474
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	79,575	79,575
National School Lunch Program	2010/2011	10.555	158,311	158,311
Cash Assistance Subtotal			<u>237,886</u>	<u>237,886</u>
Total Child Nutrition Cluster			<u>257,360</u>	<u>257,360</u>
Total U.S. Department of Agriculture			257,360	257,360
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title 1 Cluster:				
Title 1 Grants to Local Educational Agencies	2011	84.010	24,809	28,223
	2012		157,429	157,484
Total Title 1 Grants to Local Educational Agencies			<u>182,238</u>	<u>185,707</u>
ARRA - Title 1 Grants to Local Educational Agencies	2011	84.389	2,157	2,270
Total Title 1 Cluster			184,395	187,977
Special Education Cluster:				
Special Education - Grants to States	2011	84.027	19,069	19,793
	2012		144,018	143,917
			<u>163,087</u>	<u>163,710</u>
ARRA - Special Education - Grants to States	2011	84.391	5,864	6,681
Total Special Education Cluster			168,951	170,391
Twenty-First Century Community Learning Centers	2011	84.287	28,439	32,006
	2012		164,821	160,331
Total Twenty-First Community Learning Centers			<u>193,260</u>	<u>192,337</u>
Education Technology State Grants	2011	84.318	(54)	
	2012		2,268	2,268
Total Education Technology State Grants			<u>2,214</u>	<u>2,268</u>
Improving Teacher Quality State Grants	2011	84.367	8,462	8,555
	2012		44,189	44,142
Total Improving Teacher Quality State Grants			<u>52,651</u>	<u>52,697</u>
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2011	84.395	3,696	258
	2012		24,630	24,557
Total ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants			<u>28,326</u>	<u>24,815</u>
Education Jobs Fund	2012	84.410	255,158	255,131
Total U.S. Department of Education			<u>884,955</u>	<u>885,616</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,142,315</u>	<u>\$ 1,142,976</u>

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

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (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 fair value. The District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

www.ohioauditor.gov

Eastern Local School District
Meigs County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Dave Yost
Auditor of State

January 11, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

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

January 11, 2013

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<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	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster, CFDA #'s 10.553 and 10.555 Title I Grants to States, CFDA #'s 84.010 and 84.389 Education Jobs Fund, CFDA # 84.410
<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?	No

**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

Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 20, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

January 11, 2013



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
FEBRUARY 5, 2013**