



Mary Taylor, CPA
Auditor of State

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	15
Statement of Activities.....	16
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	21
Statement of Net Assets – Proprietary Fund	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	23
Statement of Cash Flows – Proprietary Fund.....	24
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund	25
Notes to the Basic Financial Statements	27
Federal Awards Receipts and Expenditures Schedule.....	53
Notes to the Federal Awards Receipts and Expenditures Schedule	54
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
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	57
Schedule of Findings – OMB Circular A-133 § .505	59
Independent Accountant's Report on Applying Agreed-Upon Procedures.....	61

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Mary Taylor, CPA

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 District), as of and for the year ended June 30, 2009, 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, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Meigs County, Ohio, as of June 30, 2009, 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 February 8, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 8, 2010

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(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, 2009. 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.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- ▶ The assets of the District exceeded its liabilities at June 30, 2009 by \$9,578,892. Of this amount, \$8,336,254 represents the amount invested in capital assets, net of related debt and net asset amounts restricted for specific purposes. The remaining \$1,242,638 represents unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$460,776, which represents a 5.05 percent increase from 2008.
- ▶ General revenues accounted for \$7,131,467 or 75.30 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,339,272 or 24.70 percent of total revenues of \$9,470,739.
- ▶ The District had \$9,009,963 in expenses related to governmental activities; only \$2,339,272 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 \$7,131,467 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 \$7,593,074 in revenues and \$7,284,085 in expenditures in fiscal year 2009.

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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(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 10. 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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(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 2009 compared to fiscal year 2008:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	2009	2008
<u>Assets:</u>		
Current and Other Assets	\$3,912,166	\$3,821,611
Capital Assets, Net	8,405,169	8,710,039
<i>Total Assets</i>	12,317,335	12,531,650
<u>Liabilities:</u>		
Long-Term Liabilities	1,258,727	1,316,485
Other Liabilities	1,479,716	2,097,049
<i>Total Liabilities</i>	2,738,443	3,413,534
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	7,415,169	7,649,799
Restricted	921,085	899,402
Unrestricted	1,242,638	568,915
<i>Total Net Assets</i>	\$9,578,892	\$9,118,116

Current and other assets increased \$90,555 from fiscal year 2008 due to an increase in property taxes receivable. Capital assets decreased by \$304,870 or 3.50 percent due to current year depreciation expense.

Current (other) liabilities decreased by \$617,333 or 29.44 percent primarily due to a decrease in deferred revenue related to property taxes receivable.

Long-term liabilities decreased by \$57,758 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 77.41 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.

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

The next largest balance of \$1,242,638 or 12.97 percent is unrestricted. 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 is restricted net assets. This accounts for 9.62 percent of all net assets. The restricted net assets are subjected to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2009 and provides a comparison to fiscal year 2008.

Table 2
Changes in Net Assets

	Governmental Activities	
	2009	2008
<u>Revenues:</u>		
<i>Program Revenue:</i>		
Charges for Services and Sales	\$857,035	\$852,788
Operating Grants and Contributions	1,482,237	1,457,418
Capital Grants and Contributions	0	5,693
<i>General Revenue:</i>		
Property Taxes	2,325,194	1,113,074
Unrestricted Grants and Entitlements	4,654,178	4,738,346
Unrestricted Contributions and Donations	92,786	0
Investment Earnings	29,986	79,163
Miscellaneous	29,323	103,190
<i>Total Revenues</i>	9,470,739	8,349,672
<u>Expenses:</u>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	4,083,584	3,828,250
Special	897,300	809,183
Vocational	0	2,215
Student Intervention Services	3,091	20,559

(Continued)

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

Table 2
Changes in Net Assets
(Continued)

	2009	2008
<i>Support Services:</i>		
Pupils	448,460	449,630
Instructional Staff	324,734	351,367
Board of Education	38,289	39,493
Administration	699,820	502,403
Fiscal	310,151	286,249
Operation and Maintenance of Plant	799,672	879,494
Pupil Transportation	558,921	547,964
Central	90,052	78,665
<i>Operation of Non-Instructional Services:</i>		
Food Service	428,753	383,043
Other	17,198	17,028
Extracurricular Activities	217,301	214,428
Interest and Fiscal Charges	52,637	59,795
<i>Total Expenses</i>	<u>9,009,963</u>	<u>8,469,766</u>
<i>Change in Net Assets</i>	460,776	(120,094)
Net Assets – Beginning of Year	<u>9,118,116</u>	<u>9,238,210</u>
Net Assets – End of Year	<u><u>\$9,578,892</u></u>	<u><u>\$9,118,116</u></u>

The most significant program expenses for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Administration and Pupil Transportation. These programs account for 78.13 percent of the total governmental activities. Regular Instruction, which accounts for 45.32 percent of the total, represents costs associated with providing general educational services. Special Instruction, 9.96 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 8.88 percent of the total, represent costs associated with operating and maintaining the District's facilities. Administration, which represents 7.77 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Pupil Transportation, which represents 6.20 percent of the total, represents costs associated with providing transportation services for students between home and school and to school activities.

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

The majority of the funding for the most significant programs indicated above is from property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs account for 73.69 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 24.55 percent and intergovernmental revenue made up 64.79 percent of the total revenue for the governmental activities in fiscal year 2009.

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 2009, the District received \$4,974,095 through the State's foundation program, which represents 52.52 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 55.32 percent of governmental activities program expenses. Support services expenses make up 36.73 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 2009 compared with fiscal year 2008. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

Table 3
Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2009	2009	2008	2008
<i>Program Expenses:</i>				
Instruction	\$4,983,975	\$3,559,330	\$4,660,207	\$2,992,025
Support Services	3,310,099	2,893,550	3,135,265	3,012,648
Operation of Non-Instructional Services	445,951	4,778	400,071	(42,555)
Extracurricular Activities	217,301	160,396	214,428	131,954
Interest and Fiscal Charges	52,637	52,637	59,795	59,795
Total Expenses	<u>\$9,009,963</u>	<u>\$6,670,691</u>	<u>\$8,469,766</u>	<u>\$6,153,867</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 and other financing sources of \$9,141,390 and expenditures and other financing uses of \$8,743,891.

Total governmental funds fund balance increased by \$397,499. The decrease in fund balance for the year was most significant in the General Fund, an increase of \$315,366 reflecting that revenues exceeded expenditures. The fund balance in the Bond Retirement Fund increased \$87,524 reflecting that revenues exceeded expenditures during the year.

The District should remain stable in fiscal years 2010 through 2011. However, projections beyond fiscal year 2011 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 2009, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

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

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

For the General Fund, the final budget basis revenue was \$7,027,166 representing a \$28,642 increase from the original budget estimate of \$6,998,524. The final budget reflected a 0.41 percent increase from the original budgeted amount. Most of this difference was due to the underestimate of intergovernmental revenue. For the General Fund, the final budget basis expenditures were \$7,449,537, which remained relatively unchanged from the original budgeted expenditures. The final budget reflected only a \$3,077 decrease or 0.04 percent change from the original budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$14.1 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$5.7 million. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008.

Table 4
Capital Assets & Accumulated Depreciation

	<u>Governmental Activities</u>	
	2009	2008
<i>Nondepreciable Capital Assets:</i>		
Land	\$23,487	\$23,487
<i>Depreciable Capital Assets:</i>		
Land Improvements	394,492	394,492
Buildings and Improvements	10,806,892	10,806,892
Furniture, Fixtures and Equipment	1,590,773	1,572,916
Vehicles	833,070	846,800
Library Books and Textbooks	473,532	464,853
<i>Total Capital Assets</i>	14,122,246	14,109,440
<i>Less Accumulated Depreciation:</i>		
Land Improvements	206,860	188,152
Buildings and Improvements	3,578,987	3,341,799
Furniture, Fixtures and Equipment	1,105,486	1,080,689
Vehicles	519,305	535,142
Library Books and Textbooks	306,439	253,619
<i>Total Accumulated Depreciation</i>	5,717,077	5,399,401
Capital Assets, Net	\$8,405,169	\$8,710,039

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

More detailed information pertaining to the District's capital asset activity can be found in Note 9 of the notes to the basic financial statements.

Debt Administration

At June 30, 2009 the District had \$990,000 in bonds outstanding with \$65,000 due within one year. Table 5 summarizes bonds outstanding for fiscal year 2009 compared to fiscal year 2008.

Table 5
Outstanding Debt

Purpose	Governmental Activities	
	2009	2008
School Improvement Refunding Bonds	\$990,000	\$1,050,000
Total	\$990,000	\$1,050,000

More detailed information pertaining to the District's long-term debt activity can be found in Note 14 of the notes to the basic financial statements.

Current Issues

Although considered a mid-wealth district, Eastern Local School 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 State's foundation program, which along with other various grants and entitlements makes up 64.79 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.

Early in 2008, the Office of Budget and Management (OBM) directed the Ohio Department of Education to cut \$51.8 million from its budget in FY 08 and \$49.7 million from its budget in FY 09 to cover a projected shortfall in the State Budget. At this time there can be no reasonable estimate of the impact of these projected budget cuts on the funding availability for the District.

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. The modification speeds up the reduction of assessed valuation to be completed in half the original time.

EASTERN LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)*

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.

The District does not anticipate any meaningful growth or loss in revenue as a result of these changes. 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 88 percent of the District's real estate valuation.

Commercial growth saw a slight decrease in the assessed valuation of public utility personal and tangible personal property in calendar 2009. This was mainly due to decreased valuation of the small businesses located throughout the District.

With the uncertainty surrounding the economy, the District will continue to rely on conservative financial planning and cost containment while pursuing new revenue sources.

The State of Ohio is in an economic recession. The state biennium budget that was signed by Governor Strickland made education a priority and education was spared deep budget cuts extended to other state agencies. The budget was balanced assuming approximately \$900 million dollars of revenue would be generated by the placement of video lottery terminals in Ohio's seven race tracks. The placement of these machines has been blocked; therefore, this revenue will not be generated during the current budget. Legislation has been proposed that would "freeze" a 4.2% Ohio Income Tax rate reduction in the current taxing year. This revenue would be used to replace the funds proposed from video lottery terminals. If the rate reduction is not approved, it is inevitable that additional state budget reductions will occur. Education funding will not be spared if additional state budget cuts are required. The District will continue to rely on conservative financial planning and cost containment while pursuing new revenue 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.

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EASTERN LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,638,464
Property Taxes Receivable	1,869,284
Accounts Receivable	10,111
Intergovernmental Receivable	242,812
Prepaid Items	28,174
Materials and Supplies Inventory	7,200
<i>Restricted Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	60,519
Deferred Charges	55,602
Nondepreciable Capital Assets	23,487
Depreciable Capital Assets, Net	<u>8,381,682</u>
<i>Total Assets</i>	<u>12,317,335</u>
<u>Liabilities:</u>	
Accounts Payable	1,592
Accrued Wages and Benefits	841,853
Intergovernmental Payable	210,218
Accrued Interest Payable	4,031
Matured Compensated Absences Payable	7,269
Deferred Revenue	413,789
Claims Payable	964
<i>Long-Term Liabilities:</i>	
Due within One Year	114,550
Due in More Than One Year	<u>1,144,177</u>
<i>Total Liabilities</i>	<u>2,738,443</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	7,415,169
<i>Restricted for:</i>	
Capital Outlay	7,538
Debt Service	470,361
Other Purposes	443,186
Unrestricted	<u>1,242,638</u>
<i>Total Net Assets</i>	<u><u>\$9,578,892</u></u>

See accompanying notes to the basic financial statements.

EASTERN LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and
				Changes in Net Assets
				Governmental Activities
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$4,083,584	\$599,993	\$245,968	(\$3,237,623)
Special	897,300	0	578,684	(318,616)
Student Intervention Services	3,091	0	0	(3,091)
<i>Support Services:</i>				
Pupils	488,460	0	6,565	(481,895)
Instructional Staff	324,734	0	116,259	(208,475)
Board of Education	38,289	0	0	(38,289)
Administration	699,820	0	4,477	(695,343)
Fiscal	310,151	0	0	(310,151)
Operation and Maintenance of Plant	799,672	0	715	(798,957)
Pupil Transportation	558,921	0	277,533	(281,388)
Central	90,052	0	11,000	(79,052)
<i>Operation of Non-Instructional Services:</i>				
Food Service	428,753	212,660	221,008	4,915
Other	17,198	956	6,549	(9,693)
Extracurricular Activities	217,301	43,426	13,479	(160,396)
Interest and Fiscal Charges	52,637	0	0	(52,637)
<i>Total Governmental Activities</i>	\$9,009,963	\$857,035	\$1,482,237	(6,670,691)
<u>General Revenues:</u>				
<i>Property Taxes Levied for:</i>				
General Purposes				2,061,132
Debt Service				226,239
Capital Outlay				37,823
Grants and Entitlements not Restricted to Specific Programs				4,654,178
Investment Earnings				29,986
Unrestricted Contributions and Donations				92,786
Miscellaneous				29,323
<i>Total General Revenues</i>				7,131,467
Change in Net Assets				460,776
<i>Net Assets at Beginning of Year</i>				9,118,116
<i>Net Assets at End of Year</i>				\$9,578,892

See accompanying notes to the basic financial statements.

EASTERN LOCAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2009

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$888,045	\$332,259	\$346,982	\$1,567,286
Property Taxes Receivable	1,656,604	182,222	30,458	1,869,284
Accounts Receivable	9,747	220	144	10,111
Intergovernmental Receivable	0	0	242,812	242,812
Interfund Receivable	749	0	0	749
Prepaid Items	28,174	0	0	28,174
Materials and Supplies Inventory	7,200	0	0	7,200
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	60,519	0	0	60,519
<i>Total Assets</i>	<u>\$2,651,038</u>	<u>\$514,701</u>	<u>\$620,396</u>	<u>\$3,786,135</u>
<u>Liabilities:</u>				
Accounts Payable	\$1,592	\$0	\$0	\$1,592
Accrued Wages and Benefits	735,445	0	106,408	841,853
Interfund Payable	0	0	749	749
Intergovernmental Payable	178,462	0	31,756	210,218
Matured Compensated Absences Payable	7,269	0	0	7,269
Deferred Revenue	1,055,959	116,135	220,528	1,392,622
<i>Total Liabilities</i>	<u>1,978,727</u>	<u>116,135</u>	<u>359,441</u>	<u>2,454,303</u>
<u>Fund Balances:</u>				
Reserved for Encumbrances	63,287	0	11,580	74,867
Reserved for Property Taxes	600,645	66,087	11,073	677,805
Reserved for Textbooks and Instructional Materials	7,653	0	0	7,653
Reserved for Budget Stabilization	52,866	0	0	52,866
<i>Unreserved, Undesignated, Reported in:</i>				
General Fund	(52,140)	0	0	(52,140)
Special Revenue Funds	0	0	230,764	230,764
Debt Service Fund	0	332,479	0	332,479
Capital Projects Funds	0	0	7,538	7,538
<i>Total Fund Balances</i>	<u>672,311</u>	<u>398,566</u>	<u>260,955</u>	<u>1,331,832</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,651,038</u>	<u>\$514,701</u>	<u>\$620,396</u>	<u>\$3,786,135</u>

See accompanying notes to the basic financial statements.

EASTERN LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009*

Total Governmental Funds Balances \$1,331,832

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 8,405,169

Some of the District's receivables will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:

Property taxes	777,690
Intergovernmental revenue	<u>201,143</u>

Total 978,833

Unamortized issuance costs represent deferred charges which do not provide current financial resources and are therefore not reported in the funds. 55,602

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Refunding Bonds	(990,000)
Premium on bonds issued	(66,449)
Accrued interest on bonds	(4,031)
Compensated absences	<u>(202,278)</u>

Total liabilities that are not reported in the funds (1,262,758)

An internal service fund is used by management to charge the costs of insurance activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 70,214

Net Assets of Governmental Activities \$9,578,892

See accompanying notes to the basic financial statements.

EASTERN LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$1,665,848	\$183,255	\$30,698	\$1,879,801
Intergovernmental	5,180,068	22,129	1,021,990	6,224,187
Interest	26,249	0	3,737	29,986
Tuition and Fees	599,020	0	973	599,993
Extracurricular Activities	0	0	44,382	44,382
Rentals	23,339	0	0	23,339
Customer Sales and Services	0	0	212,660	212,660
Contributions and Donations	92,786	0	19,779	112,565
Miscellaneous	5,764	220	0	5,984
<i>Total Revenues</i>	<u>7,593,074</u>	<u>205,604</u>	<u>1,334,219</u>	<u>9,132,897</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,547,054	0	250,557	3,797,611
Special	578,614	0	255,411	834,025
Student Intervention Services	2,291		786	3,077
<i>Support Services:</i>				
Pupils	481,289	0	6,055	487,344
Instructional Staff	203,558	0	120,238	323,796
Board of Education	38,242	0	0	38,242
Administration	583,647	0	114,690	698,337
Fiscal	301,137	5,805	959	307,901
Operation and Maintenance of Plant	772,284	0	688	772,972
Pupil Transportation	560,567	0	0	560,567
Central	77,532	0	10,959	88,491
Operation of Non-Instructional Services	0	0	434,275	434,275
Extracurricular Activities	116,688	0	71,848	188,536
Capital Outlay	21,182	0	74,202	95,384
<i>Debt Service:</i>				
Principal Retirement	0	60,000	0	60,000
Interest and Fiscal Charges	0	52,275	0	52,275
<i>Total Expenditures</i>	<u>7,284,085</u>	<u>118,080</u>	<u>1,340,668</u>	<u>8,742,833</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>308,989</u>	<u>87,524</u>	<u>(6,449)</u>	<u>390,064</u>
<u>Other Financing Sources :</u>				
Proceeds from the Sale of Capital Assets	7,435	0	0	7,435
Transfers In	0	0	1,058	1,058
Transfers Out	(1,058)	0	0	(1,058)
<i>Total Other Financing Sources</i>	<u>6,377</u>	<u>0</u>	<u>1,058</u>	<u>7,435</u>
<i>Net Change in Fund Balances</i>	315,366	87,524	(5,391)	397,499
<i>Fund Balances at Beginning of Year</i>	<u>356,945</u>	<u>311,042</u>	<u>266,346</u>	<u>934,333</u>
<i>Fund Balances at End of Year</i>	<u>\$672,311</u>	<u>\$398,566</u>	<u>\$260,955</u>	<u>\$1,331,832</u>

See accompanying notes to the basic financial statements.

EASTERN LOCAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds \$397,499

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

Governmental funds report expenditures as capital outlays. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (288,456)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (16,414)

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

Property taxes	445,393	
Intergovernmental revenue	(107,551)	
Total		337,842

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 60,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 245

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

Compensated absences	(6,269)	
Deferred Charges	(4,634)	
Premium on bond issued	4,027	
Total		(6,876)

An internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is reported as governmental activities. (23,064)

Change in Net Assets of Governmental Activities \$460,776

See accompanying notes to the basic financial statements.

EASTERN LOCAL SCHOOL DISTRICT
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,166,144	\$1,085,344	\$1,085,411	\$67
Intergovernmental	5,119,120	5,183,198	5,180,068	(3,130)
Interest	65,000	29,000	26,249	(2,751)
Tuition and Fees	609,260	598,846	599,020	174
Rent	25,000	25,000	23,339	(1,661)
Gifts and Donations	2,000	93,778	92,786	(992)
Miscellaneous	12,000	12,000	1,215	(10,785)
Total Revenues	6,998,524	7,027,166	7,008,088	(19,078)
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,567,022	3,581,412	3,503,747	77,665
Special	562,006	561,502	591,305	(29,803)
Student Intervention Services	8,712	8,712	2,747	5,965
<i>Support Services:</i>				
Pupils	474,765	466,244	460,759	5,485
Instructional Staff	258,535	256,981	237,461	19,520
Board of Education	38,047	38,047	37,173	874
Administration	577,623	572,555	575,837	(3,282)
Fiscal	303,872	305,021	287,951	17,070
Operation and Maintenance of Plant	764,476	812,055	780,651	31,404
Pupil Transportation	597,719	602,342	566,331	36,011
Central	77,895	80,498	76,685	3,813
Operation of Non-Instructional Services	6,400	6,400	0	6,400
Extracurricular Activities	132,200	132,200	119,376	12,824
Capital Outlay	83,342	25,568	22,690	2,878
Total Expenditures	7,452,614	7,449,537	7,262,713	186,824
Excess of Revenues Over (Under) Expenditures	(454,090)	(422,371)	(254,625)	167,746
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	0	7,500	7,435	(65)
Advances In	410	410	409	(1)
Transfers Out	0	0	(1,058)	(1,058)
Advances Out	0	0	(749)	(749)
Total Other Financing Sources (Uses)	410	7,910	6,037	(1,873)
Net Change in Fund Balances	(453,680)	(414,461)	(248,588)	165,873
Fund Balance at Beginning of Year	984,207	984,207	984,207	0
Prior Year Encumbrances Appropriated	147,670	147,670	147,670	0
Fund Balance at End of Year	\$678,197	\$717,416	\$883,289	\$165,873

See accompanying notes to the basic financial statements.

EASTERN LOCAL SCHOOL DISTRICT

Statement of Net Assets

Proprietary Fund

June 30, 2009

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$71,178</u>
<u>Liabilities:</u>	
<i>Current Liabilities:</i>	
Claims Payable	<u>964</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$70,214</u></u>

See accompanying notes to the basic financial statements.

EASTERN LOCAL SCHOOL DISTRICT
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
June 30, 2009*

	Governmental Activities
	Internal Service
<u>Operating Revenues:</u>	
Other Revenue	\$45,797
 <u>Operating Expenses:</u>	
Claims	68,861
<i>Change in Net Assets</i>	(23,064)
<i>Net Assets at Beginning of Year</i>	93,278
<i>Net Assets at End of Year</i>	\$70,214

See accompanying notes to the basic financial statements.

EASTERN LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2009

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Services Provided	\$45,797
Cash Payments for Claims	<u>(71,613)</u>
<i>Net Cash from Operating Activities</i>	<u>(25,816)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(25,816)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>96,994</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$71,178</u></u>
<u>Reconciliation of Operating Loss</u>	
<u>to Net Cash from Operating Activities:</u>	
Operating Loss	(\$23,064)
<u>Adjustments to Reconcile Operating Loss</u>	
<u>to Net Cash from Operating Activities:</u>	
<i>Increase (Decrease) in Liabilities:</i>	
Claims Payable	<u>(2,752)</u>
Total Adjustments	<u>(2,752)</u>
<i>Net Cash from Operating Activities</i>	<u><u>(\$25,816)</u></u>

See accompanying notes to the basic financial statements.

EASTERN LOCAL SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2009

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$34,992</u>
<u>Liabilities:</u>	
Due to Students	<u>\$34,992</u>

See accompanying notes to the basic financial statements.

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EASTERN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Eastern Local School District (the District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established in 1956. The District serves an area of approximately 115 square miles. It is located in Meigs County, and includes the communities of Reedsville, Tupper Plains and Chester, and the Townships of Orange, Olive, Chester and a portion of Bedford. It is staffed by 39 non-certificated employees, 66 certificated full-time teaching personnel and 5 administrative employees who provide services to 847 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 three organizations, two of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are the Southeast Ohio Voluntary Education Cooperative, the Coalition of Rural and Appalachian Schools and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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 year-end. 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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 7). 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, 2009, but which were levied to finance fiscal year 2010 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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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 2009, 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, 2009.

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 2009 amounted to \$26,249, which includes \$9,043 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. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

EASTERN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

H. 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.

I. 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

J. 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.

K. 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.

EASTERN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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

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.

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.

L. 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 judgements, 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.

M. 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.

N. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks and instructional materials, and budget stabilization.

EASTERN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserves for textbooks and instructional materials, and budget stabilization represent money required to be set-aside by statute and are explained in more detail in Note 16.

O. 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.

P. 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.

Q. 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 2009, the District reported no extraordinary or special items.

R. 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.

S. 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 2009.

EASTERN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

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- NEW GASB PRONOUNCEMENTS

For fiscal year 2009, the District implemented GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, and GASB No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, and GASB Statements No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”. The implementation of GASB Statement No. 52, 55 and 56 had no effect on the disclosure requirements and there was no effect on the prior period fund balances of the District.

NOTE 4 - ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2009:

<i>Nonmajor Special Revenue Funds:</i>	
DPIA	\$36,333
Title VI-B	7,144
Title VI	279
Miscellaneous Federal Grants	1,026

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 5 - 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.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$315,366
<i>Adjustments:</i>	
Revenue Accruals	(584,986)
Expenditure Accruals	(39,044)
Encumbrances	60,416
Other Sources (Uses)	(340)
Budget Basis	<u><u>(\$248,588)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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.

EASTERN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 6 - DEPOSITS AND INVESTMENTS-(Continued)

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 6 - 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, 2009, the carrying amount of all District deposits was \$225,510. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2009, \$1,299 of the District's bank balance of \$251,299 was exposed to custodial risk as discussed above while \$250,000 was covered by Federal Deposit Insurance. The \$1,299 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, 2009, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>
STAROhio	\$1,508,465	\$1,508,465
Totals	<u>\$1,508,465</u>	<u>\$1,508,465</u>

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 12.5 percent of true value.

Real property taxes are paid by taxpayers annually or semi-annually. If paid annually, payment is due December 31, unless extended; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established.

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

The 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, 2009 are available to finance fiscal year 2009 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 2009 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2009. 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, 2009 was \$677,805 and is recognized as revenue. Of this total amount, \$600,645 was available to the General Fund, \$66,087 was available to the Bond Retirement Debt Service Fund, and \$11,073 was available to the Classroom Facilities Maintenance Nonmajor Special Revenue Fund.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second-Half Collections		2009 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$56,088,530	88.54%	\$56,563,820	89.75%
Public Utility Personal	5,409,130	8.54%	5,620,320	8.92%
Tangible Personal Property	1,853,290	2.92%	842,750	1.33%
Total Assessed Value	<u>\$63,350,950</u>	<u>100.00%</u>	<u>\$63,026,890</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$22.80		\$22.80	

EASTERN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 8 - RECEIVABLES

Receivables at June 30, 2009 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:

Governmental Activities:	
<hr/>	
<i>Nonmajor Special Revenue Funds:</i>	
Food Service	\$468
Title VI-B	24,440
Title I	36,287
Miscellaneous Federal Grants	181,617
	<hr/>
Total Intergovernmental Receivables	<u><u>\$242,812</u></u>

EASTERN LOCAL SCHOOL DISTRICT*Notes to the Basic Financial Statements**For the Fiscal Year Ended June 30, 2009***NOTE 9 - CAPITAL ASSETS**

Capital asset governmental activity for the fiscal year ended June 30, 2009 was as follows:

<u>Asset Category</u>	<u>Balance at July 1, 2008</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at June 30, 2009</u>
<i>Nondepreciable Capital Assets:</i>				
Land	\$23,487	\$0	\$0	\$23,487
Total Nondepreciable Capital Assets	23,487	0	0	23,487
<i>Depreciable Capital Assets:</i>				
Land Improvements	394,492	0	0	394,492
Buildings and Improvements	10,806,892	0	0	10,806,892
Furniture, Fixtures and Equipment	1,572,916	74,582	(56,725)	1,590,773
Vehicles	846,800	77,089	(90,819)	833,070
Library Books and Textbooks	464,853	12,969	(4,290)	473,532
Total Depreciable Capital Assets	14,085,953	164,640	(151,834)	14,098,759
Total Capital Assets	14,109,440	164,640	(151,834)	14,122,246
<i>Accumulated Depreciation:</i>				
Land Improvements	(188,152)	(18,708)	0	(206,860)
Buildings and Improvements	(3,341,799)	(237,188)	0	(3,578,987)
Furniture, Fixtures and Equipment	(1,080,689)	(74,619)	49,822	(1,105,486)
Vehicles	(535,142)	(65,900)	81,737	(519,305)
Library Books and Textbooks	(253,619)	(56,681)	3,861	(306,439)
Total Accumulated Depreciation	(5,399,401)	(453,096)	135,420	(5,717,077)
Total Net Capital Assets	<u>\$8,710,039</u>	<u>(\$288,456)</u>	<u>(\$16,414)</u>	<u>\$8,405,169</u>

EASTERN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$254,405
Special	55,852
<i>Support Services:</i>	
Pupils	1,914
Administration	2,665
Fiscal	820
Operation and Maintenance of Plant	31,455
Pupil Transportation	67,374
<i>Operation of Non-Instructional Services:</i>	
Food Service	10,407
Extracurricular Activities	28,204
	<hr/>
Total Depreciation Expense	<u><u>\$453,096</u></u>

EASTERN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 10 - 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. During fiscal year 2009, the District contracted with Ohio Casualty Insurance/The Netherlands Company for professional and general liability insurance, fleet insurance and property insurance. Coverages provided are as follows:

Commercial Property (\$1,000 deductible)	\$23,055,461
Inland Marine (\$500 deductible, radio; \$1,000, grounds maintenance equipment)	43,227
Musical Instruments, Uniforms, Athletic Equipment (\$500 deductible)	239,402
Automobile Liability (\$1,000 deductible for collision and \$500 for comprehensive)	1,000,000
Uninsured Motorists:	
Per Person (\$100 deductible)	1,000,000
Per Accident (\$100 deductible)	1,000,000
<i>General Liability:</i>	
Per Occurrence (\$2,500 deductible)	1,000,000
Aggregate Limit	2,000,000
<i>Commercial General Liability:</i>	
Each Occurrence	1,000,000
Personal and Advertising Injury	1,000,000
General Aggregate	2,000,000
Products/Completed Oper Aggregate	2,000,000
<i>Employee Benefits Liability:</i>	
Each Employee (\$1,000 deductible)	1,000,000
Aggregate	3,000,000
<i>Sexual Misconduct & Molestation Liability:</i>	
Occurrence/Aggregate	1,000,000
<i>Errors & Omissions Liability:</i>	
Occurrence/Aggregate	1,000,000
<i>Additional Umbrella Coverage:</i>	
Occurrence/Aggregate	3,000,000

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.

EASTERN LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 10 - RISK MANAGEMENT - (Continued)

For fiscal year 2009, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 18). 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 \$964 reported at June 30, 2009 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 is as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2008	\$2,021	\$55,715	\$54,020	\$3,716
2009	3,716	68,861	71,613	964

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, 2009.

NOTE 11 - 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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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.

EASTERN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 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, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$84,646, \$110,690, and \$99,399, respectively; 50.00 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007. \$38,738 representing the unpaid contribution for fiscal year 2009, is recorded as a liability in the statement of net assets.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2009, 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. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. 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.

EASTERN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$430,382, \$404,954, and \$439,971, respectively; 82.89 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007. \$73,628 representing the unpaid contribution for fiscal year 2009, is recorded as a liability in the statement of net assets. Contributions to the DC and Combined Plans for fiscal year 2009 were \$2,070 made by the District and \$88,273 made by the plan members.

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, 2009, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

Plan Description - Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or the combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

The State Teachers Retirement Board has statutory authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report that includes financial information for the health care plan. Interested parties can view the most recent *Comprehensive Annual Financial Report* at www.strsoh.org or obtain a copy by calling (888) 227-7877.

Funding Policy - Under Ohio law, funding for post employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14 percent contribution is the maximum rate allowed under Ohio law.

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Districts' contributions allocated to fund post employment health care benefits for the years ended June 30, 2009, 2008, and 2007 were \$33,106, \$35,900, and \$53,398 respectively; 100 percent has been contributed for years 2009, 2008, and 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.7 billion at June 30, 2008 (the latest information year available). For the year ended June 30, 2008, net health care costs paid by STRS were \$288,878,000 and STRS had 126,506 eligible benefit recipients.

Health Care Plan - Ohio law authorizes SERS Ohio to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

EASTERN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

The Ohio Revised Code (ORC) postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Medicare 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 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. Contributions for the years ended June 30, 2009, 2008 and 2007 were, \$978, \$931, and \$831, respectively, which equaled the required contributions each year.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$179,752, \$63,594, and \$97,596, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

EASTERN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for classified employees and 245 for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 50 days classified employees and 50 days for certified employees.

Health, Prescription Drug, and Life Insurance

On October 1, 2002, the District began providing medical and prescription drug insurance coverage through a fully funded plan with Anthem. The District pays \$1,083 for family and \$403 for single 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 Anthem in the amount of \$20,000 for classified employees, and \$15,000 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.

EASTERN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 14 - LONG-TERM LIABILITIES

The changes in the District's long-term liabilities during fiscal year 2009 were as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding at July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding at June 30, 2009</u>	<u>Amount Due in One Year</u>
<u>Governmental Activities:</u>							
Refunding Bonds	2006	5.125%	\$1,050,000	\$0	\$60,000	\$990,000	\$65,000
Premium on Bonds Issued			70,476	0	4,027	66,449	4,363
Compensated Absences			196,009	111,048	104,779	202,278	45,187
Total Governmental Activities Long-Term Liabilities			<u>\$1,316,485</u>	<u>\$111,048</u>	<u>\$168,806</u>	<u>\$1,258,727</u>	<u>\$114,550</u>

Refunding General Obligation Bonds - During fiscal year 2007, 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 \$4,682,417 with an unvoted debt margin of \$63,027 at June 30, 2009.

EASTERN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 14 - LONG-TERM LIABILITIES - (Continued)

The annual requirements to retire the general obligation renovation bonds outstanding at June 30, 2009 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Refunding Bonds</u>	<u>Interest</u>	<u>Total</u>
2010	\$65,000	\$49,072	\$114,072
2011	65,000	45,741	110,741
2012	65,000	42,409	107,409
2013	70,000	38,950	108,950
2014	75,000	35,234	110,234
2015-2019	440,000	112,750	552,750
2020-2021	210,000	11,019	221,019
Total	<u>\$990,000</u>	<u>\$335,175</u>	<u>\$1,325,175</u>

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2009, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<i>General Fund</i>	\$749	\$0
<i>Nonmajor Special Revenue Funds:</i>		
District Managed Activities	0	404
Miscellaneous Federal Grants	0	345
Total Nonmajor Special Revenue	0	749
Total	<u>\$749</u>	<u>\$749</u>

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.

EASTERN LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 15 - INTERFUND ACTIVITY - (Continued)

As of June 30, 2009, the District had interfund transactions as follows:

Transfers From	Transfers To Nonmajor Special Revenue Funds
General	\$1,058

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

NOTE 16 - STATUTORY SET-ASIDES

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2009:

	Textbooks and Instructional Materials	Capital Improvements	Budget Stabilization	Totals
Set-Aside Balance as of July 1, 2008	\$24,570	\$0	\$52,866	\$77,436
Current Year Set-Aside Requirement	121,133	97,601	0	218,734
Qualifying Disbursements	(138,050)	(97,601)	0	(235,651)
Total	7,653	0	52,866	60,519
Set-Aside Balance as of June 30, 2009	\$7,653	\$0	\$52,866	
Total Restricted Assets				\$60,519

The District can have qualifying disbursements during the year that exceed the current year set-aside requirements in both the textbook and capital improvement reserve accounts. Each reserve must be represented by restricted cash at year-end and carried forward to be used for the same purposes in future years.

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 17 - 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 \$13,153 to SEOVEC in fiscal year 2009.

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 made no significant payments for membership in fiscal year 2009.

NOTE 18 - INSURANCE PURCHASING POOL

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.

NOTE 19 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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	2009	10.555	\$ 18,004	\$ 18,004
Cash Assistance:				
School Breakfast Program	2009	10.553	68,774	68,774
National School Lunch Program	2009	10.555	145,414	145,414
Cash Assistance Subtotal			<u>214,188</u>	<u>214,188</u>
Total Child Nutrition Cluster			<u>232,192</u>	<u>232,192</u>
Total U.S. Department of Agriculture			232,192	232,192
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Direct from Federal Government:</i>				
Fund for the Improvement of Education	2009	84.215	119,239	119,239
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2008	84.010	19,040	24,617
	2009		138,166	132,463
Total Title I Grants to Local Educational Agencies			<u>157,206</u>	<u>157,080</u>
Safe and Drug-Free Schools and Communities State Grants	2008	84.186	8	319
	2009		2,971	2,615
Total Safe and Drug-Free Schools and Communities State Grants			<u>2,979</u>	<u>2,934</u>
State Grants for Innovative Programs	2009	84.298	27,844	27,844
Education Technology State Grants	2008	84.318	(104)	
	2009		1,521	1,521
Total Education Technology State Grants			<u>1,417</u>	<u>1,521</u>
Improving Teacher Quality State Grants	2008	84.367	27,246	27,246
	2009		7,000	2,250
Total Improving Teacher Quality State Grants			<u>34,246</u>	<u>29,496</u>
Special Education Grants to States	2008	84.027	22,289	22,666
	2009		154,361	154,348
Total Special Education Grants to States			<u>176,650</u>	<u>177,014</u>
School Improvement Grants	2009	84.377	39,107	30,594
Total U.S. Department of Education			<u>558,688</u>	<u>545,722</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 790,880</u>	<u>\$ 777,914</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, 2009**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Eastern Local School District's (the District's) federal awards 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

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the entitlement value.

NOTE D – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2008 to 2009 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2008 to 2009</u>
Education Technology State Grants	84.318	\$104



Mary Taylor, CPA

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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 8, 2010. 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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*.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 8, 2010



Mary Taylor, CPA

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 apply to each of its major federal programs for the year ended June 30, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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www.auditor.state.oh.us

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 8, 2010

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

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 other 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 other 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?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster: CFDA #'s 10.553 and 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Mary Taylor, CPA

Auditor of State

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 19, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States; and
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 of Education and is not intended to be and should not be used by anyone other than this specified party.



Mary Taylor, CPA
Auditor of State

February 8, 2010



Mary Taylor, CPA
Auditor of State

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2010**