



Mary Taylor, CPA
Auditor of State

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Cash Basis	11
Statement of Activities –Cash Basis	12
Balance Sheet – Cash Basis - Governmental Funds	13
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	15
Statement of Fund Net Assets – Cash Basis – Proprietary Fund	16
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets – Cash Basis – Proprietary Fund	17
Statement of Fiduciary Net Assets – Cash Basis – Agency Funds	18
Notes to the Basic Financial Statements	19
Schedule of Federal Awards Receipts and Expenditures.....	37
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	38
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	39
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	41
Schedule of Findings – OMB Circular A-133 § .505	43

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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, Pike County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Pike County, Ohio, as of June 30, 2006, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof, for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2007, 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 the Governmental Accounting Standards Board 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 School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures 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.



Mary Taylor, CPA
Auditor of State

March 27, 2007

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

As management of the Eastern Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

Net assets of governmental activities increased \$345,548.

General cash receipts accounted for \$5,898,960 or 70 percent of all total revenues. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$2,526,279 or 30 percent of total cash receipts of \$8,425,239.

The School District had \$8,079,691 in expenses related to governmental activities; only \$2,526,279 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions. General cash receipts (primarily grants, entitlements, and property taxes) of \$5,898,960 were adequate to provide for these programs.

USING THE BASIC FINANCIAL STATEMENTS

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

REPORT COMPONENTS

The *Statement of Net Assets* and *Statement of Activities* provide information about the cash activities of the School District as a whole.

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

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

BASIS OF ACCOUNTING

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

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

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during 2006, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities due to transfers and advances netted on the Statement of Activities. See Note 2 to the basic financial statements.

Proprietary Funds The School District's only proprietary fund is an internal service fund. The internal service fund operates on a break-even, cost-reimbursement basis. It is reported using the cash basis of accounting. Since the internal fund exclusively benefits governmental functions, it has been included with governmental activities in the government-wide financial statements.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary funds are agency funds which are used to maintain financial activity of the School District's Student Managed Activities.

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006.

(Table 1)	
Net Assets	
	Governmental Activities
	<u>2006</u>
Assets	
Current and other Assets	<u>\$ 2,386,518</u>
Total Assets	<u>2,386,518</u>
 Net Assets	
Restricted	828,357
Unrestricted	1,558,161
Total Net Assets	<u>\$ 2,386,518</u>

The prior year is not presented due to the School District reporting on a cash basis for the current fiscal year while the prior year was reported on a basis of accounting in accordance with accounting principles generally accepted in the United States of America. See Note 3.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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

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

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

(Table 2)
Change in Net Assets

	Governmental Activities
	2006
Cash Receipts	
Program Cash Receipts:	
Charges for Services and Sales	\$ 419,189
Operating Grants and Contributions	2,107,090
Total Program Cash Receipts	2,526,279
General Cash Receipts:	
Property Taxes	1,018,165
Grants and Entitlements not Restricted to Specific Programs	4,818,121
Investment Earnings	31,698
Miscellaneous	30,976
Total General Cash Receipts	5,898,960
Total Cash Receipts	8,425,239

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

(Table 2)
Change in Net Assets
(continued)

	Governmental Activities
	2006
Program Cash Disbursements	
Instruction:	
Regular	\$ 2,831,881
Special	871,966
Vocational	67,787
Other	941,454
Support Services:	
Pupils	313,865
Instructional Staff	166,138
Board of Education	36,028
Administration	607,578
Fiscal	221,346
Operation and Maintenance of Plant	625,223
Pupil Transportation	694,519
Central	52,700
Operation of Non-Instructional Services	296,912
Extracurricular Activities	104,166
Capital Outlay	145,972
Debt Service:	
Principal	45,000
Interest and Fiscal Charges	57,156
Total Cash Disbursements	8,079,691
 Change in Net Assets	 345,548
 Net Assets, Beginning of the Year *	 2,040,970
Net Assets, End of the Year	\$ 2,386,518

* As restated. See Note 3.

The prior year is not presented due to the District reporting on a cash basis for the current fiscal year while the prior year was reported on a basis of accounting in accordance with accounting principles generally accepted in the United States of America. See Note 3.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Governmental Activities

Grants and entitlements not restricted to specific programs made up 57 percent of cash receipts for governmental activities of the Eastern Local School District for fiscal year 2006. Property tax receipts made up 12 percent of the total cash receipts for governmental activities for a total of 69 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 35 percent of governmental program cash disbursements. Support services expenses make up 34 percent of governmental cash disbursements.

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

(Table 3)
Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	\$ 4,713,088	\$ 3,254,191
Support Services	2,717,397	2,016,247
Operation of Non-Instructional Services	296,912	(35,145)
Extracurricular Activities	104,166	69,991
Capital Outlay	145,972	145,972
Principal	45,000	45,000
Interest and Fiscal Charges	57,156	57,156
Total Cash Disbursements	\$ 8,079,691	\$ 5,553,412

The School District's Funds

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$8,795,089 and cash disbursements and other financing uses of \$8,446,230. The most significant change in fund balance was in the General Fund.

For the General Fund, property tax and intergovernmental cash receipts increased from the prior year. These increases were partially offset by increases in cash disbursements for special instruction and pupil transportation of \$129,814 and \$60,129, respectively. Overall, cash disbursements plus transfers out were less than current year cash receipts plus transfers and advances in resulting in the increase in fund balance for the General Fund in the amount of \$473,183.

For the Bond Retirement Fund, cash receipts and disbursements were consistent with the prior year. Cash receipts exceeded cash disbursements resulting in the increase in fund balance in the amount of \$50,501.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

For fiscal year 2006, the School District did not file a certificate of estimated revenues. Therefore, final and original estimated revenues were \$0.

The School District also did not amend its original appropriation measure. The General Fund's original and final appropriations were \$6,757,477. Actual expenditures were \$6,447,166, a difference of \$310,311 under final estimated expenditures.

Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had capital outlay disbursements of \$145,972 during fiscal year 2006.

Debt

Under the cash basis of accounting the School District does not report bonds, long-term or short-term notes or capital leases in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and capital leases. At June 30, 2006, the School District had \$1,065,000 in general obligation bonds. For additional information regarding debt, see note 11 to the basic financial statements. Table 4 summarizes the outstanding debt:

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

	<u>2006</u>	<u>2005</u>
1998 School Improvement General Obligation Bonds	\$ 1,065,000	\$ 1,110,000

The School District's overall legal debt margin was \$2,237,052 with an unvoted debt margin of \$36,689 at June 30, 2006.

Contacting the School District's Financial Management

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

This page intentionally left blank.

Eastern Local School District, Pike County

Statement of Net Assets - Cash Basis

June 30, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,033,241
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>353,277</u>
<i>Total Assets</i>	<u>2,386,518</u>
Net Assets	
Restricted for:	
Capital Projects	338,098
Debt Service	322,519
Other Purposes	167,740
Unrestricted	<u>1,558,161</u>
<i>Total Net Assets</i>	<u>\$ 2,386,518</u>

See accompanying notes to the basic financial statements

Eastern Local School District, Pike County

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2006*

	<u>Program Cash Receipts</u>			Net (Cash Disbursements) Cash Receipts and Changes in in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 2,831,881	\$ 102,441	\$ 828,253	\$ (1,901,187)
Special	871,966	37,416	413,774	(420,776)
Vocational	67,787	3,294	-	(64,493)
Other	941,454	44,488	29,231	(867,735)
Support Services:				
Pupils	313,865	12,750	144,597	(156,518)
Instructional Staff	166,138	7,462	16,454	(142,222)
Board of Education	36,028	1,751	-	(34,277)
Administration	607,578	27,160	55,270	(525,148)
Fiscal	221,346	10,480	-	(210,866)
Operation and Maintenance of Plant	625,223	26,209	-	(599,014)
Pupil Transportation	694,519	33,333	349,391	(311,795)
Central	52,700	1,990	14,303	(36,407)
Operation of Non-Instructional				
Services	296,912	78,353	253,704	35,145
Extracurricular Activities	104,166	32,062	2,113	(69,991)
Capital Outlay	145,972	-	-	(145,972)
Debt Service:				
Principal	45,000	-	-	(45,000)
Interest and Fiscal Charges	57,156	-	-	(57,156)
<i>Totals</i>	<u>\$ 8,079,691</u>	<u>\$ 419,189</u>	<u>\$ 2,107,090</u>	<u>(5,553,412)</u>
General Cash Receipts				
Property Taxes Levied for:				
General Purposes				860,705
Debt Service				139,644
Classroom Facilities Maintenance				17,816
Grants and Entitlements not Restricted to Specific Programs				4,818,121
Investment Earnings				31,698
Miscellaneous				30,976
<i>Total General Cash Receipts</i>				<u>5,898,960</u>
<i>Change in Net Assets</i>				345,548
<i>Net Assets Beginning of Year - Restated - See Note 3</i>				<u>2,040,970</u>
<i>Net Assets End of Year</i>				<u>\$ 2,386,518</u>

See accompanying notes to the basic financial statements

Eastern Local School District, Pike County

Balance Sheet - Cash Basis

Governmental Funds

June 30, 2006

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,195,544	\$ 322,519	\$ 505,838	\$ 2,023,901
Restricted Cash and Cash Equivalents	353,277	-	-	353,277
<i>Total Assets</i>	<u>\$ 1,548,821</u>	<u>\$ 322,519</u>	<u>\$ 505,838</u>	<u>\$ 2,377,178</u>
FUND BALANCES:				
Reserved:				
Reserved for Encumbrances	\$ 6	\$ -	\$ 86,877	\$ 86,883
Reserved for Textbooks and Instructional Materials	261,571	-	-	261,571
Reserved for Budget Stabilization	29,239	-	-	29,239
Reserved for Bus Purchases	62,467	-	-	62,467
Unreserved, Undesignated, Reported in:				
General Fund	1,195,538	-	-	1,195,538
Special Revenue Funds	-	-	166,811	166,811
Debt Service Funds	-	322,519	-	322,519
Capital Projects Funds	-	-	252,150	252,150
<i>Total Fund Balances</i>	<u>\$ 1,548,821</u>	<u>\$ 322,519</u>	<u>\$ 505,838</u>	<u>\$ 2,377,178</u>

See accompanying notes to the basic financial statements

Eastern Local School District, Pike County
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS:				
Property and Other Local Taxes	\$ 860,705	\$ 139,644	\$ 17,816	\$ 1,018,165
Intergovernmental	5,437,410	18,032	1,466,618	6,922,060
Interest	31,698	-	-	31,698
Tuition and Fees	307,066	-	-	307,066
Rent	529	-	-	529
Extracurricular Activities	-	-	31,799	31,799
Gifts and Donations	-	-	3,151	3,151
Customer Sales and Services	-	-	79,795	79,795
Miscellaneous	30,884	-	92	30,976
<i>Total Cash Receipts</i>	<u>6,668,292</u>	<u>157,676</u>	<u>1,599,271</u>	<u>8,425,239</u>
CASH DISBURSEMENTS:				
Current:				
Instruction:				
Regular	2,104,389	-	724,181	2,828,570
Special	770,059	-	101,907	871,966
Vocational	67,787	-	-	67,787
Other	915,623	-	25,831	941,454
Support Services:				
Pupils	175,063	-	138,802	313,865
Instructional Staff	149,141	-	16,997	166,138
Board of Education	36,028	-	-	36,028
Administration	558,604	-	48,974	607,578
Fiscal	215,693	5,019	634	221,346
Operation and Maintenance of Plant	539,418	-	85,805	625,223
Pupil Transportation	686,035	-	8,484	694,519
Central	40,950	-	11,750	52,700
Operation of Non-Instructional Services	-	-	296,912	296,912
Extracurricular Activities	71,888	-	32,278	104,166
Capital Outlay	-	-	145,972	145,972
Debt Service:				
Principal	-	45,000	-	45,000
Interest	-	57,156	-	57,156
<i>Total Cash Disbursements</i>	<u>6,330,678</u>	<u>107,175</u>	<u>1,638,527</u>	<u>8,076,380</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>337,614</u>	<u>50,501</u>	<u>(39,256)</u>	<u>348,859</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	10,237	-	117,798	128,035
Advances In	241,815	-	-	241,815
Transfers Out	(116,483)	-	(11,552)	(128,035)
Advances Out	-	-	(241,815)	(241,815)
<i>Total Other Financing Sources and Uses</i>	<u>135,569</u>	<u>-</u>	<u>(135,569)</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	473,183	50,501	(174,825)	348,859
<i>Fund Balances at Beginning of Year - As Restated - See Note 3</i>	<u>1,075,638</u>	<u>272,018</u>	<u>680,663</u>	<u>2,028,319</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,548,821</u>	<u>\$ 322,519</u>	<u>\$ 505,838</u>	<u>\$ 2,377,178</u>

See accompanying notes to the basic financial statements

Eastern Local School District, Pike County
Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS:				
Property and Other Local Taxes	\$	\$	\$ 860,705	\$ 860,705
Intergovernmental			5,437,410	5,437,410
Interest			31,698	31,698
Tuition and Fees			307,066	307,066
Rent			529	529
Miscellaneous			26,559	26,559
Total Receipts	<u>0</u>	<u>0</u>	<u>6,663,967</u>	<u>6,663,967</u>
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	2,077,416	2,077,416	2,086,282	(8,866)
Special	665,009	665,009	770,059	(105,050)
Vocational	59,144	59,144	67,787	(8,643)
Other	1,006,856	1,006,856	915,623	91,233
Support Services:				
Pupils	182,385	182,385	175,063	7,322
Instructional Staff	213,807	213,807	149,141	64,666
Board of Education	29,425	29,425	36,028	(6,603)
Administration	497,592	497,592	558,609	(61,017)
Fiscal	191,493	191,493	215,693	(24,200)
Operation and Maintenance of Plant	602,094	602,094	539,418	62,676
Pupil Transportation	753,237	753,237	686,035	67,202
Central	13,900	13,900	40,950	(27,050)
Extracurricular Activities:				
Academic Oriented Activities	8,609	8,609	7,343	1,266
Occupation Oriented Activities	1,160	1,160	1,007	153
Sport Oriented Activities	67,049	67,049	52,698	14,351
School and Public Service Co-Curricular Activities	5,692	5,692	10,840	(5,148)
Total Disbursements	<u>6,374,868</u>	<u>6,374,868</u>	<u>6,312,576</u>	<u>62,292</u>
Excess of Receipts Over (Under) Disbursements	<u>(6,374,868)</u>	<u>(6,374,868)</u>	<u>351,391</u>	<u>6,726,259</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In			10,237	10,237
Advances In			241,815	241,815
Refund of Prior Year Expenditures			4,325	4,325
Transfers Out	(365,000)	(365,000)	(116,483)	248,517
Refund of Prior Year Receipts	(17,609)	(17,609)	(18,107)	(498)
Total Other Financing Sources and Uses	<u>(382,609)</u>	<u>(382,609)</u>	<u>121,787</u>	<u>504,396</u>
Net Change in Fund Balance	(6,757,477)	(6,757,477)	473,178	7,230,655
Fund Balance at Beginning of Year	1,059,447	1,059,447	1,059,447	-
Prior Year Encumbrances Appropriated	16,202	16,202	16,202	-
Fund Balance at End of Year	<u>\$ (5,681,828)</u>	<u>\$ (5,681,828)</u>	<u>\$ 1,548,827</u>	<u>\$ 7,230,655</u>

See accompanying notes to the basic financial statements

Eastern Local School District, Pike County

Statement of Fund Net Assets - Cash Basis

Proprietary Fund

June 30, 2006

	Governmental Activities - Internal Service Funds
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 9,340
<i>Total Assets</i>	<u>9,340</u>
NET ASSETS:	
Unrestricted	<u>9,340</u>
<i>Total Net Assets</i>	<u><u>\$ 9,340</u></u>

See accompanying notes to the basic financial statements

Eastern Local School District, Pike County
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2006

	Governmental Activities - Internal Service Funds
<hr/> <hr/>	
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 54,845
<i>Total Operating Cash Receipts</i>	<u>54,845</u>
OPERATING CASH DISBURSEMENTS:	
Purchased Services	<u>58,156</u>
<i>Total Operating Cash Disbursements</i>	<u>58,156</u>
<i>Net Change in Net Assets</i>	(3,311)
<i>Net Assets at Beginning of Year - As Restated - See Note 3</i>	<u>12,651</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 9,340</u></u>

See accompanying notes to the basic financial statements

Eastern Local School District, Pike County
Statement of Fiduciary Net Assets - Cash Basis
Agency Funds
June 30, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$30,050</u>
Net Assets	
Unrestricted	<u>\$30,050</u>

See accompanying notes to the basic financial statements

Eastern Local School District, Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Eastern Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines. The School District was established in 1960 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 107 square miles. It is located in Pike County, and includes all of the Villages of Beaver and Stockdale and portions of Marion, Union, and East Jackson Townships in Pike County, Madison Township in Scioto County and Liberty Township in Jackson County. It is staffed by 37 non-certificated employees, 61 certificated full-time teaching personnel, and 6 administrators who provide services to 808 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity:

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

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

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

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

The School District participates in four organizations, two of which are defined as jointly governed organizations, and two as group purchasing pools. These organizations are the South Central Ohio Computer Association, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Boards Association Workers Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 12 and 13 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis Of Presentation

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

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements:

The statement of net assets-cash basis presents the cash basis financial condition of the governmental activities of the School District at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the School District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the School District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the School District. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

Bond Retirement Fund

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

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Funds

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

Internal Service Fund

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee dental claims.

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. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The School District uses agency funds to account for student-managed activities. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

C. Basis of Accounting

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

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

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

Cash Receipts – Exchange and Non-exchange Transactions

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

Cash Disbursements

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

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on 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 certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

E. Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during fiscal year 2006 amounted to \$31,698.

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

F. Restricted Assets

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

G. Capital Assets

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

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Interfund Activity

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

I. Compensated Absences

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

J. Long-Term Obligations

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

K. Fund Balance Reserves

The School District records reservations for 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 balance which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, textbooks and instructional materials, budget stabilization, and bus purchases.

L. Net Assets

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

At December 31, 2006, of the District's \$828,357 restricted net assets, none were restricted by enabling legislation.

Eastern Local School District, Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 3 – RESTATEMENT OF NET ASSETS/FUND BALANCES AND CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2006, the School District has implemented the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The School District had previously reported on a GAAP basis of accounting which was in accordance with accounting principles generally accepted in the United States of America. The implementation of cash basis financial statements had the following restatements on net assets and fund balances as previously stated:

	<u>General</u>	<u>Bond Retirement</u>	<u>Title I</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances,					
June 30, 2005	\$851,360	\$287,046	(\$23,060)	\$561,627	\$1,676,973
Change in Major Funds	0	0	23,060	(23,060)	0
Gasb 34 Cash Basis					
Restatement	<u>224,278</u>	<u>(15,028)</u>	<u>0</u>	<u>142,096</u>	<u>351,346</u>
Restated Fund Balances,					
June 30, 2005	<u>\$1,075,638</u>	<u>\$272,018</u>	<u>\$0</u>	<u>\$680,663</u>	<u>\$2,028,319</u>
Net Assets, June 30, 2005					\$23,317,043
Modified Adjustments					351,346
Deferred Assets					(150,516)
Capital Assets					(22,845,121)
Accrued Interest Payable					4,722
Claims Payable					4,761
Long Term Liabilities:					
Compensated Absences Payable					248,735
Bonds Payable					<u>1,110,000</u>
Governmental Activities Net Assets, Restated June 30, 2005					<u>\$2,040,970</u>

Net Assets,	Internal Service Fund
June 30, 2005	<u>\$7,890</u>
GASB 34 Cash Basis Restatement	<u>4,761</u>
Net Assets, June 30, 2005 - As Restated	<u>\$12,651</u>

For the fiscal year 2006, the District implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. The application of this new standard did not have any effect on the financial statements, nor did its implementation require a restatement of prior year balances.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances which are not included in budgeted figures. The table below represents those differences for the School District's Major fund:

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

The major differences between the budget basis and cash basis are as follows:

	<u>General Fund</u>
Budgetary Basis Fund Balance	\$1,548,827
Encumbrances	<u>(6)</u>
Fund Cash Balance	<u><u>\$1,548,821</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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 market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

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.

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

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

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance was \$2,550,314. At fiscal year end, \$2,350,314 of the School District's bank deposits were exposed to custodial credit risk because they were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2006 for real and public utility property taxes represents collections of calendar 2005 taxes. Property tax payments received during calendar 2006 for tangible personal property (other than public utility property) are for calendar 2006 taxes.

2006 real property taxes are levied after April 1, 2006, on the assessed value as of January 1, 2006, the lien date.

Assessed values are established by State law at thirty-five percent of appraised market value. First half 2006 real property taxes are collected in and intended to finance fiscal year 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after April 1, 2006 and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after April 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are twenty-five percent of true value.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 6 - PROPERTY TAXES (continued)

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

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

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$25,871,850	81.92%	\$29,894,150	81.47%
Public Utility	4,647,960	14.72%	5,574,920	15.19%
Tangible Personal Property	1,061,680	3.36%	1,220,393	3.34%
Total Assessed Value	\$31,581,490	100.00%	\$36,689,463	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$33.51		 \$33.51	

NOTE 7 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted with Motorists Mutual Insurance Company for property and fleet insurance, and professional liability insurance coverage. Coverages provided are as follows:

Building and Contents-80% Co-insurance (\$1,000 deductible)	\$22,919,232
Boiler and Machinery-80% Co-insurance (\$5,000 deductible)	22,919,232
Crime Insurance	4,000
Automobile Liability	300,000
Uninsured Motorists	300,000

During fiscal year 2006, the School District contracted with Cincinnati Insurance Company and Western Surety Company for public official bonds as follows:

Treasurer / Superintendent / Board President (each)	\$ 20,000
Assistant Treasurer	3,000
Blanket bond	6,000

During fiscal year 2006, the School District participated in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverages, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 12)

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 7 - RISK MANAGEMENT (continued)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Bodily Injury and Property Damage Limit - Each Occurrence and Sexual Abuse Injury Limit - Each Offense	\$1,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
Fire Damage Limit - Any One Event	500,000
General Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Employer's Liability:	
Bodily Injury by Accident - Each Accident	1,000,000
Bodily Injury by Disease - Endorsement Limit	1,000,000
Bodily Injury by Disease - Each Employee	1,000,000
Employee Benefits Liability:	
Per Claim/Aggregate Limits	\$1,000,000/\$3,000,000
Educational Legal Liability (\$5,000 deductible):	
Errors and Omissions Injury/Aggregate Limits	\$1,000,000/\$2,000,000
Defense Costs/Aggregate Cap	\$1,000,000/\$1,000,000
Employment Practices Injury/Aggregate Limit	\$1,000,000/\$2,000,000

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

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participants individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling arrangement" ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRPs selection criteria. The firm of Gates McDonald & Co. provides administrative cost control and actuarial services to the GRP.

Dental insurance is offered to employees through a self-insurance fund accounted for within the General Fund. Coresource is the School District's third party administrator who informs the School District of claim payments needed each week. Coresource provides an actuarial study each year and advises the School District as to any change needed in premium payments to the internal service fund. Under the cash basis of accounting the School District does not record a liability for unpaid claims in the accompanying basic financial statements.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

A. School Employees Retirement System (continued)

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 School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of 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 required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$134,376, \$107,941 and \$84,430, respectively, which represents the required annual contribution for each year.

B. State Teachers Retirement System

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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

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

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

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

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

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

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$427,178, \$347,553 and \$345,607, respectively, which represents the required annual contribution for each year.

Eastern Local School District, Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 9-POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio.

All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$30,513 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Net health care costs for the year ending June 30, 2006 were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claims costs. The number of participants eligible to receive benefits was 59,492.

NOTE 10-EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators earn seven to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators, with the exception of the Superintendent and Treasurer, do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for teachers and administrators and 215 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 10-EMPLOYEE BENEFITS (Continued)

B. Life and Accident Insurance

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

C. Deferred Compensation

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

NOTE 11 - LONG-TERM DEBT

Under the cash basis of accounting the School District does not record debt as a liability in the accompanying basic financial statements. However, in order to provide meaningful information regarding debt to readers of these basic financial statements, the School District has elected to present the following information. The changes in the School District's long-term debt during fiscal year 2006 were as follows:

	<u>Debt Outstanding 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Debt Outstanding 6/30/06</u>	<u>Due in One Year</u>
1998 School Improvement General Obligation Bonds - 4.0% - 5.0%	\$ 1,110,000	\$ -	\$ 45,000	\$ 1,065,000	\$ 50,000

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

Principal and interest requirements to retire general obligation debt at June 30, 2006, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$50,000	\$54,935	\$104,935
2008	50,000	52,572	102,572
2009	55,000	50,065	105,065
2010	55,000	47,397	102,397
2011	60,000	44,250	104,250
2012-2016	345,000	163,275	508,275
2017-2020	450,000	58,750	508,750
Total	<u>\$1,065,000</u>	<u>\$471,244</u>	<u>\$1,536,244</u>

The School District's overall legal debt margin was \$2,237,052 with an unvoted debt margin of \$36,689 at June 30, 2006.

Eastern Local School District, Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 12 - GROUP PURCHASING POOLS

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

Ohio School Plan - The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus the fiscal agent. The School District paid SCOCA \$65,794 for services provided during the year. Financial information can be obtained from their fiscal agent, the Vern Riffe Career Technology Center, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

The Pilasco-Ross Special Education Regional Resource Center - The Pilasco-Ross Special Education Regional Resource Center (Pilasco-Ross) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents.

Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Eastern Local School District's Superintendent is an alternate for the Pilasco-Ross Board. Financial information can be obtained by contacting the fiscal agent, Jim Tordiff, Treasurer, at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

NOTE 14 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The School District is no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers Compensation, which must be retained for budget stabilization or spent for specified purposes.

Eastern Local School District, Pike County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 14 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

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

	Textbooks	Capital Acquisition	Budget Stablization
Set-aside Reserve Balance as of June 30, 2005	\$243,672	(\$315,148)	\$29,239
Current year set-aside requirement	96,470	96,470	0
Current year offsets	0	(17,815)	0
Qualifying disbursements	(78,571)	(102,485)	0
Totals	261,571	(338,978)	29,239
Set-aside Reserve Balance as of June 30, 2006	\$261,571	\$0	\$29,239

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Capital Acquisition Reserve. This extra amount may be carried forward and used to reduce the set-aside requirements of future fiscal years.

NOTE 15 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 16 – INTERFUND ACTIVITY

Interfund advances during 2006 consisted of the following:

<u>Interfund Advances</u>	<u>Advance In</u>	<u>Advance Out</u>
General Fund	\$ 241,815	\$ -
Nonmajor Special Revenue Funds		
Lunchroom	-	34,164
Professional Development	-	6,807
Manage. Info. Sys.	-	5,000
Student Intervention	-	28,289
Title VI-B	-	9,702
Chapter I	-	133,289
Drug Free Grant	-	5,046
Class Size Reduction	-	19,326
Goals 2000	-	192
Total Nonmajor Special Revenue Funds	<u>-</u>	<u>241,815</u>
Total All Funds	<u>\$ 241,815</u>	<u>\$ 241,815</u>

The amounts shown as advances in the General Fund are the result of the School District repaying the General Fund as funds became available in the nonmajor special revenue funds.

Transfers made during the year ended June 30, 2006, were as follows:

<u>Interfund Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 10,237	\$ 116,483
Nonmajor Special Revenue Funds		
Schoolnet	1,315	1,315
Professional Development	8,348	-
Manage. Info. Sys.	10,000	-
DPIA	11,773	-
Onenet	1,315	-
Student Intervention	49,938	10,237
Chapter I	31,551	-
Drug Free Grant	1,979	-
Goals 200	1,579	-
Total Nonmajor Special Revenue Funds	<u>117,798</u>	<u>11,552</u>
Total All Funds	<u>\$ 128,035</u>	<u>\$ 128,035</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

This page intentionally left blank.

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$	\$ 21,780	\$	\$ 21,780
Nutrition Cluster:						
School Breakfast Program	05PU-2005	10.553	16,513		16,513	
	05PU-2006		45,706		45,706	
Total School Breakfast Program			62,219	0	62,219	0
National School Lunch Program	LLP1-2006	10.555	1,305		1,305	
	LLP4-2005		54,764		54,764	
	LLP4-2006		126,127		126,127	
Total National School Lunch Program			182,196	0	182,196	0
Total Nutrition Cluster			244,415	0	244,415	0
Total U.S. Department of Agriculture			244,415	21,780	244,415	21,780
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1S1-2005	84.010	154,743		43,867	
	C1S1-2006		277,548		260,993	
Total Title I Grants to Local Educational Agencies			432,291	0	304,860	0
Special Education Grants to States	6BSF-2005	84.027	27,488		7,993	
	6BSF-2006		252,477		240,544	
Total Special Education Grants to States			279,965	0	248,537	0
Safe and Drug-Free Schools and Communities State Grants	DRS1-2005	84.186	5,200		400	
	DRS1-2006		7,892		7,892	
Total Safe and Drug-Free Schools and Communities State Grants			13,092	0	8,292	0
Innovative Education Program Strategies	C2S1-2005	84.298	(4,512)		1,940	
	C2S1-2006		6,209		5,209	
Total Innovative Education Program Strategies			1,697	0	7,149	0
Education Technology State Grants	TJS1-2005	84.318	2,193		2,800	
	TJS1-2006		13,373		13,373	
Total Education Technology State Grants			15,566	0	16,173	0
Improving Teacher Quality State Grants	TRS1-2005	84.367	36,201		9,237	
	TRS1-2006		61,559		67,650	
Total Improving Teacher Quality State Grants			97,760	0	76,887	0
Total U.S. Department of Education			840,371	0	661,898	0
Total Federal Awards Receipts and Expenditures			\$ 1,084,786	\$ 21,780	\$ 906,313	\$ 21,780

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

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
JUNE 30, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – TRANSFERS

During fiscal year 2006, the Ohio Department of Education (ODE) authorized the School District to carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the transfers/carryovers were as follows:

CFDA Number	Program Title	Pass- Through Entity Number	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	C1S1-2005	\$ 24,187	
84.010	Title I Grants to Local Educational Agencies	C1S1-2006		\$ 24,187
84.027	Special Education Grants to States	6BSF-2005	9,108	
84.027	Special Education Grants to States	6BSF-2006		9,108
84.186	Safe and Drug-Free Schools and Communities	DRS1-2005	246	
84.186	Safe and Drug-Free Schools and Communities	DRS1-2006		246
84.298	Innovative Education Program Strategies	C2S1-2005	7,905	
84.298	Innovative Education Program Strategies	C2S1-2006		7,905
84.367	Improving Teacher Quality State Grants	TRS1-2005	7,330	
84.367	Improving Teacher Quality State Grants	TRS1-2006		7,330
Totals			\$ 48,776	\$ 48,776



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
Pike County
1170 Tile Mill Road
Beaver, Ohio 45613

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, Pike County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 27, 2007, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2006-007.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above to be a material weakness. In a separate letter to the School District's management dated March 27, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's basic 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-007. In a separate letter to the School District's management dated March 27, 2007, we reported other matters related to noncompliance we deemed immaterial.

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. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 27, 2007



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
Pike County
1170 Tile Mill Road
Beaver, Ohio 45613

To the Board of Education:

Compliance

We have audited the compliance of the Eastern Local School District, Pike County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 27, 2007.

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. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 27, 2007

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

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 reportable conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<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 reportable internal control weakness conditions 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):	Nutrition Cluster : School Breakfast Program CFDA #10.553 National School Lunch Program CFDA #10.555 Title I Grants to Local Educational Agencies – CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

FINDING NUMBER 2006-001

Noncompliance Citation

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

Ohio Admin. Code Section 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Officials' Response:

It is the Board's intention to provide the best education opportunities for the District. Pursuant to the GASB 34 financial statements, this requirement adds absolutely nothing to the educational process while using up tax dollars, which in turn will take supplies and other materials out of the classroom. We saved approximately \$6,000 in audit costs by using the OCBOA statements.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(1) requires on or about the first day of each fiscal year, the fiscal officers of subdivisions are to certify to the County Auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

The Treasurer did not certify the total amount from all sources available for expenditures for fiscal year 2006. As such, there was no estimated revenue. This resulted in appropriations exceeding estimated resources and deficit spending in several funds.

We recommend the Treasurer certify to the County Auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year at the beginning of each fiscal year.

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

FINDING NUMBER 2006-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.36 (A)(1) (Continued)

Officials' Response:

Although we did not do the Certificate of Amended Resources in July of this fiscal year, we did file this Certificate in March 2007 and we will follow the correct procedure beginning with fiscal year 2008.

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Treasurer did not certify the total amount from all sources available for expenditure for fiscal year 2006. Therefore, estimated resources were based upon the beginning unencumbered fund balances, causing appropriations to exceed estimated resources in all funds that had approved appropriations. This resulted in appropriations exceeding estimated resources in all funds with appropriations and deficit spending in several funds.

We recommend the Treasurer certify estimated resources with the County Auditor, as Secretary of the County Budget Commission. Further, we recommend the District Treasurer monitor appropriations to ensure they do not exceed certified estimated resources.

Officials' Response:

As of this date, we have not received the amended certificate from the County Auditor and since we filed the "Certificate of Amended Resources" after the Budget Commission met, we may not receive on for this year, so we will follow the proper procedure in fiscal year 2008, and we will monitor the appropriations as stated.

FINDING NUMBER 2006-004

Noncompliance Citation

Ohio Rev. Code Section 5705.40 provides, in part, that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation.

The Board of Education approved the original appropriation measure at the fund/function/object/special cost center legal level of control. However, when approving amended appropriations, the Board of Education amended appropriations at the fund level. These amendments were not approved in the same level of detail as the original appropriation measure. This resulted in appropriation amendments being void since line item amendments could not be determined. This further resulted in expenditures exceeding appropriations.

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

FINDING NUMBER 2006-004 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.40 (Continued)

We recommend the Board of Education amend or supplement the appropriation measure by following the same laws used in making the original appropriation.

Officials' Response:

We attempted to correct this upon the advice of the prior audit team. In the future, we will only be doing the appropriations at the fund level to avoid this citation.

FINDING NUMBER 2006-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Expenditures exceeded appropriations in the following funds at June 30, 2006:

	Prior Year Carryover	Current Appropriations	Total Appropriations	Expenditures Plus Encumbrances	Variance
Bond Retirement	\$	\$ 107,100	\$ 107,100	\$ 107,175	\$ (75)
Food Service	210	310,300	310,510	330,809	(20,299)
Employee Self Insurance		50,000	50,000	58,159	(8,159)
Management Informations Systems		4,000	4,000	15,000	(11,000)
SchoolNet		0	0	8,576	(8,576)
OneNet	1,558	4,389	5,947	19,262	(13,315)
School Professional Development		2,435	2,435	5,380	(2,945)
Ohio Reads		907	907	4,381	(3,474)
Student Intervention	1,649	48,378	50,027	60,175	(10,148)
Safe and Drug Free Schools		13,092	13,092	15,317	(2,225)

Additionally, expenditures plus encumbrances exceeded appropriations at the fund/function/object/special cost center legal level of control in the various line items in the funds listed above as well as in the Permanent Improvement, Classroom Facilities, Principal Support, Classroom Facilities Maintenance, Student Activities, Athletic Activity, Professional Development, Poverty Based Assistance, Title VI-B, Title I, Title V, Title II-D, and the Title II-D Technology Funds.

Spending monies which have not been properly appropriated could result in deficit cash balances.

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

FINDING NUMBER 2006-005 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)

We recommend the Treasurer deny payment requests in excess of legally authorized appropriations. Further, we recommend the Board of Education amend or supplement the appropriation measure at the original legal level of control as deemed necessary.

Officials' Response:

We will be doing an amended appropriation at the June Board meeting, which should eliminate the citation.

FINDING NUMBER 2006-006

Noncompliance Citation

Ohio Rev. Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The School District had negative fund balances in the following funds throughout the year:

	Fund #	Balance	Month	Fund #	Balance
July	460	\$ (20,089)	Feb	516	\$ (25,028)
August	416	(1,541)	Feb	572	(29,084)
August	460	(21,649)	Feb	584	(1,979)
Sept	6	(41,439)	Feb	590	(2,762)
Sept	432	(6,500)	Feb	599	(3,138)
Oct	6	(65,951)	Mar	6	(37,238)
Oct	432	(9,000)	Mar	432	(13,000)
Oct	516	(19,544)	Mar	451	(1,315)
Oct	572	(3,864)	Mar	516	(35,363)
Nov	6	(39,869)	Mar	572	(33,958)
Nov	432	(9,000)	Mar	590	(2,668)
Nov	516	(39,357)	Mar	599	(3,693)
Nov	572	(26,908)	Apr	432	(12,000)
Dec	6	(40,544)	Apr	451	(1,315)
Dec	432	(9,000)	Apr	516	(53,358)
Dec	516	(59,654)	Apr	572	(55,253)
Dec	572	(51,340)	Apr	590	(8,386)
Dec	590	(3,126)	Apr	599	(6,726)
Jan	6	(37,173)	May	6	(4,544)
Jan	432	(10,500)	May	432	(10,000)
Jan	451	(2,815)	May	451	(1,315)
Jan	516	(3,487)	May	516	(76,439)
Jan	572	(4,383)	May	584	(443)
Feb	6	(38,151)	May	590	(14,953)
Feb	432	(10,500)	May	599	(3,474)
Feb	451	(2,815)			

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-006 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.10(H) (Continued)

We recommend the School District Treasurer monitor fund balances to ensure grant draw-down requests are submitted in a timely manner. We further recommend the Board of Education approve advances from the General Fund to cover deficit fund balances until draw-downs or reimbursements are received.

Officials' Response:

Since this year is almost over, the same procedure has been followed, but we will do a monthly draw-down to help eliminate the negative balances for fiscal year 2008.

FINDING NUMBER 2006-007

Noncompliance Citation/Reportable Condition

Ohio Admin. Code Section 117-2-02(C)(1) requires the government's internal controls to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Throughout the fiscal year, budgeted revenue was recorded in the system although no amended certificates of estimated resources were prepared. Additionally, appropriations recorded in the accounting system did not agree to the original appropriations on the appropriation resolution. At year end, the Treasurer adjusted estimated receipts to equal actual receipts and appropriations to equal expenditures plus encumbrances, again, differing from amounts approved by the Board of Education. Due to the fact that budgeted information posted into the accounting system was not always correct, the School District's management was unable to effectively monitor budget versus actual activity.

We recommend the Treasurer accurately post estimated receipts and appropriations as approved by the Board of Education into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Officials' Response:

By doing this in a timely manner and also by passing a Board resolution to use "Set-Bal" and have it approved in June rather than in July, this should eliminate this citation.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

EASTERN LOCAL SCHOOL DISTRICT

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 10, 2007**