

Eastern Local School District
Pike County, Ohio

Single Audit

July 1, 2006 Through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Eastern Local School District, Pike County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 25, 2008

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Eastern Local School District
Pike County, Ohio

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Independent Auditor's 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, 2007, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 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 accounting principles generally accepted in the United States of America. 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2007, and the respective changes in cash basis financial position and the respective budgetary position of the General Fund, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2008, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.

March 15, 2008

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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, 2007. 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 \$25,955.

General cash receipts accounted for \$5,851,956 or 71 percent of all total revenues. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$2,353,764 or 29 percent of total cash receipts of \$8,205,720.

The School District had \$8,179,765 in expenses related to governmental activities; only \$2,353,764 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 \$5,851,956 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, 2007
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 2007, 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. Since the internal service fund operates on a break-even, cost-reimbursement basis, the Service District reports it as a proprietary fund using the full accrual 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, 2007
Unaudited

Fiduciary Funds

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

THE 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 2007 and 2006.

(Table 1)
 Net Assets

	Governmental Activities	
	2007	2006
Assets		
Current and other Assets	\$ 2,412,473	\$ 2,386,518
Total Assets	2,412,473	2,386,518
 Net Assets		
Restricted	807,232	828,357
Unrestricted	1,605,241	1,558,161
Total Net Assets	\$ 2,412,473	\$ 2,386,518

Total net assets increased \$25,955 from 2006 to 2007 due to cash receipts in excess of cash disbursements.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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	
	2007	2006
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	360,863	419,189
Operating Grants and Contributions	1,992,901	2,107,090
Total Program Cash Receipts	2,353,764	2,526,279
General Cash Receipts:		
Property Taxes	1,012,815	1,018,165
Grants and Entitlements not Restricted to Specific Programs	4,729,528	4,818,121
Investment Earnings	54,428	31,698
Miscellaneous	55,185	30,976
Total General Cash Receipts	5,851,956	5,898,960
Total Cash Receipts	8,205,720	8,425,239

Total cash receipts decreased by \$219,519 from 2006 to 2007 primarily due to a decrease in cash received for several state and federal grants.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

(Table 2)
Change in Net Assets
(continued)

	Governmental Activities	
	2007	2006
Program Cash Disbursements		
Instruction:		
Regular	\$ 3,016,793	\$ 2,831,881
Special	800,722	871,966
Vocational	72,362	67,787
Other	989,676	941,454
Support Services:		
Pupils	256,245	313,865
Instructional Staff	151,584	166,138
Board of Education	25,440	36,028
Administration	634,316	607,578
Fiscal	226,603	221,346
Operation and Maintenance of Plant	650,888	625,223
Pupil Transportation	643,624	694,519
Central	129,986	52,700
Operation of Non-Instructional Services	317,202	296,912
Extracurricular Activities	124,976	104,166
Capital Outlay	34,413	145,972
Debt Service:		
Principal	50,000	45,000
Interest and Fiscal Charges	54,935	57,156
Total Cash Disbursements	<u>8,179,765</u>	<u>8,079,691</u>
 Change in Net Assets	 25,955	 345,548
 Net Assets, Beginning of the Year	 <u>2,386,518</u>	 <u>2,040,970</u>
Net Assets, End of the Year	<u>\$ 2,412,473</u>	<u>\$ 2,386,518</u>

Total cash disbursements increased \$97,574 from 2006 to 2007. Cash disbursements for regular instruction increased \$184,912 from 2006 to 2007 primarily due to payroll increases. Cash disbursements for capital outlay decreased \$111,559 from 2006 to 2007 due to the completion of construction.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Governmental Activities

Grants and entitlements not restricted to specific programs made up 58 percent of cash receipts for governmental activities of the Eastern Local School District for fiscal year 2007. Property tax receipts made up 12 percent of the total cash receipts for governmental activities for a total of 70 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 37 percent of governmental program cash disbursements. Support services expenses make up 33 percent of governmental cash disbursements.

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

(Table 3)
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	4,879,553	3,538,246	\$ 4,713,088	\$ 3,254,191
Support Services	2,718,686	2,055,670	2,717,397	2,016,247
Operation of Non-Instructional Services	317,202	7,391	296,912	(35,145)
Extracurricular Activities	124,976	85,346	104,166	69,991
Capital Outlay	34,413	34,413	145,972	145,972
Principal	50,000	50,000	45,000	45,000
Interest and Fiscal Charges	54,935	54,935	57,156	57,156
Total Cash Disbursements	<u>\$ 8,179,765</u>	<u>\$ 5,826,001</u>	<u>\$ 8,079,691</u>	<u>\$ 5,553,412</u>

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$8,222,807 and cash disbursements and other financing uses of \$8,206,962. The most significant change in fund balance was in the General fund.

For the General Fund, intergovernmental and tuition and fees cash receipts decreased \$60,789 and \$47,145, respectively, from the prior year. Cash disbursements for regular instruction \$243,921. Cash disbursements for special instruction decreased \$267,008. Overall, cash disbursements plus transfers out were less than the current year cash receipts resulting in an increase in fund balance for the General Fund of \$36,970.

For the Bond Retirement fund, property tax cash receipts decreased \$17,452 and cash disbursements were consistent with the prior year. Cash receipts exceeded cash disbursements resulting in the increase in fund balance in the amount of \$29,077.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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 2007, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

For fiscal year 2007, the School District filed an amended certificate of estimated revenues. For the General fund, final estimated revenues were \$6,823,759, with original estimated revenues of \$6,823,759. Actual revenues were \$6,617,640, a difference of \$206,119 under final estimated revenues. This difference was primarily due to decreases in property taxes and intergovernmental revenue.

At the end of fiscal year 2007, the School District filed an amended appropriations resolution. This resulted in the General Fund's final appropriations decreasing \$329,882 under the original appropriations. The decrease in appropriations was primarily in estimated expenditures for regular, special and other instruction and these decreases were partially offset by an increase in estimated expenditures for administration support services. Actual expenditures were \$6,580,669, a difference of \$275,480 under final estimated expenditures. This difference was primarily due to transfers out which were lower than final estimates.

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 \$34,413 during fiscal year 2007.

Debt

Under the cash basis of accounting the School District does not report bonds, long-term or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds. At June 30, 2007, the School District had \$1,015,000 in general obligation bonds. For additional information regarding debt, see note 9 to the basic financial statements. Table 4 summarizes the outstanding debt:

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

		2007		2006
1998 School Improvement General Obligation Bonds	\$	1,015,000	\$	1,065,000

The School District's overall legal debt margin was \$3,149,948 with an unvoted debt margin of \$46,277 at June 30, 2007.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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 Rodney Schilling, Treasurer at Eastern Local School District, 1170 Tile Mill Road, Beaver, Ohio 45613.

Eastern Local School District, Pike County
Statement of Net Assets - Cash Basis
June 30, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,412,473</u>
<i>Total Assets</i>	<u>2,412,473</u>
Net Assets	
Restricted for:	
Capital Projects	293,293
Debt Service	351,596
Other Purposes	162,343
Unrestricted	<u>1,605,241</u>
<i>Total Net Assets</i>	<u>\$ 2,412,473</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, 2007*

	<u>Program Cash Receipts</u>			Net (Cash Disbursements) Cash Receipts and Changes in in Net Assets
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction:				
Regular	\$ 3,016,793	\$ 139,591	\$ 611,735	\$ (2,265,467)
Special	800,722	28,006	428,800	(343,916)
Vocational	72,362	2,866	-	(69,496)
Other	989,676	42,039	88,270	(859,367)
Support Services:				
Pupils	256,245	10,950	24,876	(220,419)
Instructional Staff	151,584	6,054	1,601	(143,929)
Board of Education	25,440	1,007	-	(24,433)
Administration	634,316	33,836	49,305	(551,175)
Fiscal	226,603	8,818	16,737	(201,048)
Operation and Maintenance of Plant	650,888	27,811	75,673	(547,404)
Pupil Transportation	643,624	25,712	331,372	(286,540)
Central	129,986	6,525	42,739	(80,722)
Operation of Non-Instructional Services	317,202	21,615	288,196	(7,391)
Extracurricular Activities	124,976	6,033	33,597	(85,346)
Capital Outlay	34,413	-	-	(34,413)
Debt Service:				
Principal	50,000	-	-	(50,000)
Interest and Fiscal Charges	54,935	-	-	(54,935)
Totals	<u>\$ 8,179,765</u>	<u>\$ 360,863</u>	<u>\$ 1,992,901</u>	<u>(5,826,001)</u>
General Cash Receipts				
Property Taxes Levied for:				
				873,385
				122,192
				17,238
				4,729,528
				54,428
				55,185
				<u>5,851,956</u>
				25,955
				<u>2,386,518</u>
				<u>\$ 2,412,473</u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Pike County
Balance Sheet
Governmental Funds
June 30, 2007

	<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	\$ 1,232,396	\$ 351,596	\$ 455,636	\$ 2,039,628
Restricted Cash and Cash Equivalents	353,395	-	-	353,395
<i>Total Assets</i>	<u>\$ 1,585,791</u>	<u>\$ 351,596</u>	<u>\$ 455,636</u>	<u>\$ 2,393,023</u>
FUND BALANCES:				
Reserved:				
Reserved for Encumbrances	-	-	85,948	85,948
Reserved for Textbooks and Instructional Materials	213,353	-	-	213,353
Reserved for Budget Stabilization	29,239	-	-	29,239
Reserved for Bus Purchases	110,803	-	-	110,803
Unreserved, Undesignated, Reported in:				
General Fund	1,232,396	-	-	1,232,396
Special Revenue Funds	-	-	162,343	162,343
Debt Service Funds	-	351,596	-	351,596
Capital Projects Funds	-	-	207,345	207,345
<i>Total Fund Balances</i>	<u>\$ 1,585,791</u>	<u>\$ 351,596</u>	<u>\$ 455,636</u>	<u>\$ 2,393,023</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, 2007

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS:				
Property Taxes	\$ 873,385	\$ 122,192	\$ 17,238	\$ 1,012,815
Intergovernmental	5,376,621	16,186	1,325,186	6,717,993
Interest	54,328	-	100	54,428
Tuition and Fees	259,921	-	-	259,921
Extracurricular Activities	-	-	31,384	31,384
Gifts and Donations	-	-	4,436	4,436
Customer Sales and Services	-	-	69,558	69,558
Miscellaneous	53,385	-	1,800	55,185
<i>Total Cash Receipts</i>	<u>6,617,640</u>	<u>138,378</u>	<u>1,449,702</u>	<u>8,205,720</u>
CASH DISBURSEMENTS:				
Current:				
Instruction:				
Regular	2,348,310	-	678,593	3,026,903
Special	683,009	-	117,713	800,722
Vocational	72,362	-	-	72,362
Other	891,781	-	97,895	989,676
Support Services:				
Pupils	228,656	-	27,589	256,245
Instructional Staff	149,808	-	1,776	151,584
Board of Education	25,440	-	-	25,440
Administration	579,635	-	54,681	634,316
Fiscal	221,626	4,366	611	226,603
Operation and Maintenance of Plant	556,726	-	94,162	650,888
Pupil Transportation	635,927	-	7,697	643,624
Central	82,587	-	47,399	129,986
Operation of Non-Instructional Services	-	-	317,202	317,202
Extracurricular Activities	87,716	-	37,260	124,976
Capital Outlay	-	-	34,413	34,413
Debt Service:				
Principal	-	50,000	-	50,000
Interest	-	54,935	-	54,935
<i>Total Cash Disbursements</i>	<u>6,563,583</u>	<u>109,301</u>	<u>1,516,991</u>	<u>8,189,875</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>54,057</u>	<u>29,077</u>	<u>(67,289)</u>	<u>15,845</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	-	-	17,087	17,087
Transfers Out	(17,087)	-	-	(17,087)
<i>Total Other Financing Sources and Uses</i>	<u>(17,087)</u>	<u>-</u>	<u>17,087</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	36,970	29,077	(50,202)	15,845
<i>Fund Balances at Beginning of Year</i>	<u>1,548,821</u>	<u>322,519</u>	<u>505,838</u>	<u>2,377,178</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,585,791</u>	<u>\$ 351,596</u>	<u>\$ 455,636</u>	<u>\$ 2,393,023</u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS:				
Property and Other Local Taxes	\$ 921,775	\$ 873,385	\$ 873,385	\$ -
Intergovernmental	5,496,234	5,376,620	5,376,620	-
Interest	30,000	54,328	54,328	-
Tuition and Fees	275,500	259,921	259,921	-
Miscellaneous	20,250	53,386	53,386	-
Total Receipts and Other Sources	\$ 6,743,759	\$ 6,617,640	\$ 6,617,640	\$ -
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	2,551,296	2,348,311	2,348,311	-
Special	710,493	503,051	503,051	-
Vocational	71,660	72,362	72,362	-
Other	1,003,000	891,781	891,781	-
Support Services:				
Pupils	211,844	228,656	228,656	-
Instructional Staff	150,614	149,808	149,808	-
Board of Education	39,869	25,440	25,440	-
Administration	555,010	759,593	759,593	-
Fiscal	225,178	221,626	221,626	-
Operation and Maintenance of Plant	548,544	556,726	556,726	-
Pupil Transportation	634,569	635,927	635,927	-
Central	90,670	82,587	82,587	-
Extracurricular Activities:				
Academic Oriented Activities	8,763	8,886	8,886	-
Occupation Oriented Activities	1,183	1,207	1,207	-
Sport Oriented Activities	62,504	66,071	66,071	-
School and Public Service Co-Curricular Activities	8,552	11,552	11,552	-
Total Disbursements and Other Uses	6,873,749	6,563,584	6,563,584	-
Excess of Receipts Over (Under) Disbursements	(129,990)	54,056	54,056	-
OTHER FINANCING SOURCES AND USES:				
Transfers In	80,000	-	-	-
Transfers Out	(312,283)	(17,086)	(17,086)	-
Total Other Financing Sources and Uses	(232,283)	(17,086)	(17,086)	-
Net Change in Fund Balance	(362,273)	36,970	36,970	-
Fund Balance at Beginning of Year	1,548,815	1,548,815	1,548,815	-
Prior Year Encumbrances Appropriated	6	6	6	-
Fund Balance at End of Year	\$ 1,186,548	\$ 1,585,791	\$ 1,585,791	\$ -

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, 2007

	Governmental Activities - Internal Service Funds
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 19,450
<i>Total Assets</i>	19,450
NET ASSETS:	
Unrestricted	19,450
<i>Total Net Assets</i>	\$ 19,450

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, 2007

	Governmental Activities - Internal Service Funds
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 72,460
<i>Total Operating Cash Receipts</i>	<u>72,460</u>
OPERATING CASH DISBURSEMENTS:	
Purchased Services	<u>62,350</u>
<i>Total Operating Cash Disbursements</i>	<u>62,350</u>
<i>Net Change in Net Assets</i>	10,110
<i>Net Assets at Beginning of Year</i>	<u>9,340</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 19,450</u></u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Pike County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2007

	<u>Agency Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 24,215</u>
Net Assets	
Unrestricted	24,215
Total Net Assets	<u>\$ 24,215</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, 2007

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, 62 certificated full-time teaching personnel, and 6 administrators who provide services to 926 students and other community members. The School District currently operates one instructional building.

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, and the Ohio School Boards Association Workers Compensation Group Rating Plan. These organizations are presented in Notes 10 and 11 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis Of Presentation

The 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, 2007

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.

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.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Eastern Local 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. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The School District has one fiduciary fund: an agency fund used to account for student activity programs. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

C. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the 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.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the 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 and All Other Governmental Funds during fiscal year 2007 amounted to \$54,328 and \$100, respectively.

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.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 assets represent the cash basis assets held by the School 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 June 30, 2007, of the School District's \$807,232 restricted net assets, none were restricted by enabling legislation.

M. Operating Cash Receipts and Cash Disbursements

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

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 3 - 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 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 (STAR Ohio);
8. Securities lending agreements in which the School 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;
9. High grade commercial paper in an amount not to exceed five percent of the School 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 School District's total average portfolio.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws government insurance and collateralization of public funds.

As of June 30, 2007, the School District's bank balance of \$2,578,900 is covered by FDIC, individually collateralized by specific investments or collateralized by the financial institutions' public entity deposit pools in the amount of \$2,518,886 in the manner described above. The remaining balance of \$60,014 is considered uninsured and uncollateralized as it exceeds the value of specific securities pledged at one of the banks as of June 30, 2007.

NOTE 4 - 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 2007 for real and public utility property taxes represents collections of calendar 2006 taxes. Property tax payments received during calendar 2007 for tangible personal property (other than public utility property) are for calendar 2007 taxes.

2007 real property taxes are levied after April 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2007 real property taxes are collected in and intended to finance fiscal year 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after April 1, 2007 and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after April 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are twenty-five percent of true value.

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.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 4 - PROPERTY TAXES (continued)

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.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$29,894,150	81.47%	\$39,955,750	86.34%
Public Utility	5,574,920	15.19%	5,371,341	11.61%
Tangible Personal Property	<u>1,220,393</u>	<u>3.34%</u>	<u>950,105</u>	<u>2.05%</u>
Total Assessed Value	<u>\$36,689,463</u>	<u>100.00%</u>	<u>\$46,277,196</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.51		\$33.51	

NOTE 5 - 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 2007, the School District contracted with Indiana 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)	\$22,073,760
Boiler and Machinery-80% Co-insurance (\$5,000 deductible)	22,073,760
Crime Insurance	75,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

During fiscal year 2007, 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

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 - RISK MANAGEMENT (continued)

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 2007, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 10). 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.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 - 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.

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 2007, 10.68 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, 2007, 2006 and 2005 were \$139,932, \$134,376 and \$107,941, 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, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (888) 227-7877, or by visiting the STRS Ohio website 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.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

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. 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.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. 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, 2007, 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. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$465,072, \$427,178 and \$347,553, 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, 2007

NOTE 7-POSTEMPLOYMENT BENEFITS

The School District provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans 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 partial 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, 2007, 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 \$33,219 for fiscal year 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS had 122,934 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. Effective January 1, 2004, 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, 2007, employer contributions to fund health care benefits were 3.32 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 2007, 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. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$47,912.

Net health care costs for the year ending June 30, 2006 (the latest information available) 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 8-EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators earn 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, 2007

NOTE 8-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 9 - 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 2007 were as follows:

	<u>Debt</u> <u>Outstanding</u> <u>6/30/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Debt</u> <u>Outstanding</u> <u>6/30/2007</u>	<u>Due in</u> <u>One Year</u>
1998 School Improvement General Obligation Bonds - 4.0% - 5.0%	\$ 1,065,000	\$ -	\$ 50,000	\$ 1,015,000	\$ 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, 2007, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	60,000	40,650	100,650
2013-2017	365,000	143,125	508,125
2018-2020	370,000	38,250	408,250
Total	<u>\$ 1,015,000</u>	<u>\$ 416,309</u>	<u>\$ 1,431,309</u>

The School District's overall legal debt margin was \$3,149,948 with an unvoted debt margin of \$46,277 at June 30, 2007.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 10 - 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.

NOTE 11 - 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 \$121,155 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.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 12 - 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.

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, 2006	\$261,571	\$0	\$29,239
Current year set-aside requirement	102,222	102,222	0
Current year offsets and prior year carryover	0	(338,978)	0
Qualifying disbursements	(150,440)	(126,150)	0
Totals	<u>213,353</u>	<u>(362,906)</u>	<u>29,239</u>
Set-aside Reserve Balance as of June 30, 2007	<u><u>\$213,353</u></u>	<u><u>\$0</u></u>	<u><u>\$29,239</u></u>

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 13 - 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, 2007.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 14 – INTERFUND ACTIVITY

Transfers made during the year ended June 30, 2007, were as follows:

<u>Interfund Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 17,087
Nonmajor Special Revenue Funds		
Management Information Systems	5,000	-
Poverty Based Assistance	12,032	-
Title I	50	-
Title V	5	-
Total Nonmajor Special Revenue Funds	<u>17,087</u>	<u>-</u>
Total All Funds	<u>\$ 17,087</u>	<u>\$ 17,087</u>

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

NOTE 15 – ACCOUNTABILITY

A. Accountability

At June 30, 2007, the Lunchroom and Ohio Core Grant Funds had deficit cash balances of \$3,284 and \$12,149, respectively.

Eastern Local School District
Pike County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	05PU	10.553	\$ 87,150	\$ -	\$ 87,150	\$ -
National School Lunch Program	LLP4	10.555	131,672	-	131,672	-
Summer Food Service Program for Children	24PU	10.559	10,151	-	10,151	-
Total Nutrition Cluster			228,973	-	228,973	-
Food Donation	NA	10.550	\$ -	\$ 25,408	\$ -	\$ 25,408
Total United States Department of Agriculture - Nutrition Cluster			228,973	25,408	228,973	25,408
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	282,704	-	277,335	-
Special Education Grants to States	6BSF	84.027	209,087	-	202,225	-
Safe and Drug-Free Schools and Communities State Grants	DRS1	84.186	3,645	-	5,624	-
State Grants for Innovative Programs	C2S1	84.298	1,325	-	2,325	-
Education Technology State Grants	TJS1	84.318	2,745	-	2,745	-
Improving Teacher Quality State Grants	TRS1	84.367	105,647	-	94,637	-
Total United States Department of Education			605,153	-	584,891	-
Total Federal Financial Assistance			\$ 834,126	\$ 25,408	\$ 813,864	\$ 25,408

See Notes to the Schedule of Federal Awards Expenditures.

Eastern Local School District
Pike County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD 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 nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2008, wherein we noted the District followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

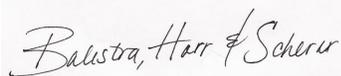
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and is reported on the accompanying Schedule of Findings and Questioned Costs under item No. 2007-001.

We noted certain matters that we reported to management of the District in a separate letter dated March 15, 2008.

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

This report is intended for the information and use of management, members of the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

March 15, 2008

BALESTRA, HARR & SCHERER CPAs, INC.

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the Eastern Local School District, (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 are applicable to its major federal program for the year ended June 30, 2007. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as 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 of 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 program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the School District 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

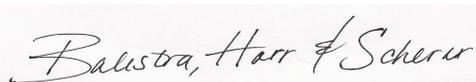
Internal Control Over Compliance (Continued)

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School District's internal control.

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

This report is intended solely for the information and use of management, members of the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

March 15, 2008

Eastern Local School District
Pike County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
June 30, 2007

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 weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies 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):	CFDA #84.010 Title I Grants to Local Educational Agencies
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

Noncompliance Citation

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

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

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

Client Response:

The District has determined that the costs of preparing GAAP financial statements outweigh the benefits.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Eastern Local School District
Pike County, Ohio
Schedule of Prior Audit Findings
June 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-001	Ohio Administrative Code Section 117-2-03(B)-Not reporting GAAP	No	Not Corrected. Reissued as finding 2007-001.
2006-002	Ohio Revised Code Section 5705.36(A)(1)-Certifying Total amount form all sources available	Yes	
2006-003	Ohio Revised Code Section 5705.39-appropriations exceeded estimated resources	Yes	
2006-004	Ohio Revised Code Section 5705.40-amending appropriation measure	Yes	
2006-005	Ohio Revised Code Section 5705.41(B)-expenditure exceeded appropriations	No	Reissued as a management letter comment
2006-006	Ohio Revised Code Section 5705.10(H)-negative fund balances	No	Reissued as a management letter comment
2006-007	Ohio Administrative Code Section 117-2-02(C)(1)-maintaining budgetary/accounting system	Yes	



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
JULY 8, 2008**