



Dave Yost • Auditor of State

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

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**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

East Guernsey Local School District
Guernsey County
237 Beymer Road, P.O. Box 128
Old Washington, Ohio 43768

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 East Guernsey Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Guernsey Local School District, Guernsey County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information 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. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

December 28, 2011

East Guernsey Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of the East Guernsey Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2011 are as follows:

- In total, net assets increased \$1,742.
- General revenues accounted for \$9,730,391 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$3,286,066 or 25 percent of total revenues of \$13,016,457.
- Total assets of governmental activities decreased \$1,542,154 primarily due to a decrease in cash and cash equivalent as a result of expenditures for the roof replacement construction project.
- The School District had \$13,014,715 in expenses related to governmental activities; only \$3,286,066 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$9,730,391 were adequate to provide for these programs.
- The School District has two major funds; the General and Debt Service Funds. The General Fund had \$10,395,911 in revenues and \$9,474,332 in expenditures. The General Fund balance, including transfers, increased \$832,847. The Debt Service Fund had \$878,390 in revenues and \$1,078,917 in expenditures. The Debt Service Fund balance, including other sources and uses of funds to refund debt, decreased \$140,630.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the East Guernsey Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

East Guernsey Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are considered to be Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, debt service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple 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 debt service 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

East Guernsey Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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 2011 compared to 2010.

Table 1		Governmental Activities		
Net Assets		2011	2010	Change
Assets				
Current and Other Assets		\$8,876,947	\$10,311,855	(\$1,434,908)
Capital Assets		22,215,223	22,322,469	(107,246)
Total Assets		31,092,170	32,634,324	(1,542,154)
Liabilities				
Long-Term Liabilities		3,434,384	4,366,903	(932,519)
Other Liabilities		3,282,393	3,893,770	(611,377)
Total Liabilities		6,716,777	8,260,673	(1,543,896)
Net Assets				
Invested in Capital Assets, Net of Debt		19,535,616	18,713,735	821,881
Restricted		1,907,857	3,443,530	(1,535,673)
Unrestricted		2,931,920	2,216,386	715,534
Total Net Assets		\$24,375,393	\$24,373,651	\$1,742

Total assets decreased \$1,542,154. A net decrease in capital assets of \$107,246 was primarily due to annual depreciation expense offset in part by a roof replacement project. The current and other assets decrease was due primarily to a decrease in cash and cash equivalents for the roofing project.

Total liabilities decreased \$1,543,896. The decrease was due primarily to a debt refunding issue that included the payment of outstanding debt using fund balance from the debt service fund (see Note 15 for further details), along with a decrease in deferred revenue for taxes receivable.

Table 2 (on the following page) shows the changes in net assets for the fiscal year 2011 compared to fiscal year 2010, as reflected on the Statement of Activities.

East Guernsey Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2
Change in Net Assets

	Governmental Activities		
	2011	2010	Change
Revenues			
Program Revenues			
Charges for Services	\$1,338,605	\$1,243,137	\$95,468
Operating Grants and Contributions	1,947,461	1,929,450	18,011
Total Program Revenues	3,286,066	3,172,587	113,479
General Revenues			
Property Taxes	2,914,085	2,457,781	456,304
Grants and Entitlements not Restricted to Specific Programs	6,662,321	6,599,422	62,899
Grants from School Facilities for Capital Construction	0	1,038,863	(1,038,863)
Gifts and Donations not Restricted to Specific Programs	48,337	36,079	12,258
Investment Earnings	30,279	39,564	(9,285)
Miscellaneous	75,369	56,768	18,601
Total General Revenues	9,730,391	10,228,477	(498,086)
Total Revenues	13,016,457	13,401,064	(384,607)
Program Expenses			
Instruction			
Regular	5,505,207	5,300,599	204,608
Special	1,302,091	1,238,990	63,101
Vocational	312,858	284,775	28,083
Adult/Continuing	6,610	6,637	(27)
Student Intervention Services	24,945	174,179	(149,234)
Support Services			
Pupil	759,494	683,832	75,662
Instructional Staff	600,977	586,650	14,327
Board of Education	30,589	30,701	(112)
Administration	899,490	886,358	13,132
Fiscal	329,335	355,827	(26,492)
Operation and Maintenance of Plant	1,215,365	1,219,586	(4,221)
Pupil Transportation	1,023,047	1,052,084	(29,037)
Central	40,813	38,629	2,184
Operation of Non-Instructional Services	0	4,181	(4,181)
Food Service Operations	501,218	502,703	(1,485)
Extracurricular Activities	351,898	240,440	111,458
Interest and Fiscal Charges	110,778	177,087	(66,309)
Total Expenses	13,014,715	12,783,258	231,457
Increase in Net Assets	1,742	617,806	(616,064)
Net Assets Beginning of Year	24,373,651	23,755,845	617,806
Net Assets End of Year	\$24,375,393	\$24,373,651	\$1,742

East Guernsey Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

In 2011, 22 percent of the School District's revenues were from property taxes and 51 percent were from unrestricted grants and entitlements. Property tax revenues increased over the prior year primarily due to an increase in the amount available as an advance. Grants and entitlements revenues increased due to a small increase in federal stimulus funding grants. Grants from School Facilities revenue decreased from the prior fiscal year as a result of the roof replacement project completion.

Program revenues accounted for 25 percent of the District's revenues in fiscal year 2011. These revenues consist of tuition and fees (including open enrollment and pay to participate fees), charges for providing lunches to students, grants for specified purposes, and contributions and donations.

Instructional programs comprise 55 percent of total governmental program expenses. Of the instructional expenses, 77 percent is for regular instruction, 18 percent for special instruction and student intervention services, and 5 percent for vocational, adult/continuing instruction and student intervention. The total cost of instructional expenses increased by two percent from 2010 to 2011 as a result of increased wages due to scheduled incremental increases and increased employee insurance, offset by reductions in staff.

The Statement of Activities shows the cost of program services and the charges for services, grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction				
Regular	\$5,505,207	\$5,300,599	\$3,921,631	\$3,842,996
Special	1,302,091	1,238,990	752,342	759,896
Vocational	312,858	284,775	248,966	221,358
Adult/Continuing	6,610	6,637	6,610	6,637
Student Intervention Services	24,945	174,179	(1,076)	143,383
Support Services				
Pupil	759,494	683,832	645,517	570,013
Instructional Staff	600,977	586,650	381,613	319,094
Board of Education	30,589	30,701	30,589	30,271
Administration	899,490	886,358	811,471	780,359
Fiscal	329,335	355,827	329,335	355,827
Operation and Maintenance of Plant	1,215,365	1,219,586	1,212,801	1,163,068
Pupil Transportation	1,023,047	1,052,084	1,023,047	1,047,931
Central	40,813	38,629	31,970	29,206
Operation of Non-Instructional Services	0	4,181	0	307
Food Service Operations	501,218	502,703	74,160	91,170
Extracurricular Activities	351,898	240,440	148,895	72,068
Interest and Fiscal Charges	110,778	177,087	110,778	177,087
Total Expenses	\$13,014,715	\$12,783,258	\$9,728,649	\$9,610,671

The dependence upon tax revenues and state subsidies for governmental activities is apparent, as 69 percent of instruction costs and 91 percent of support services costs are supported through taxes and other general revenues.

East Guernsey Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,455,531 and total expenditures of \$14,127,433. The School District's expenditures exceeded revenues during the fiscal year. In 2010 the general fund had an excess of revenues over expenditures of \$82,169. In 2011 the general fund had an excess of revenues over expenditures of \$921,579. This represents an increase of \$839,410, and is due in part to an increase in taxes available as an advance reflected as tax revenues.

General Fund Budgeting Highlights

The School District's appropriations are prepared according to Ohio law and are based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant appropriated fund is the general fund.

During the course of fiscal 2011 the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and final budget. Actual result of operations differed from final budgeted amounts due to revenues for taxes and open enrollment exceeding estimates. Costs for instructional and pupil support expenditures were less than budgeted in the general fund because some of those costs were paid by federal fiscal stabilization funds. Costs for transportation were less than budgeted because a new school bus scheduled was not ordered.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011 the School District had \$22,215,223 invested in land, land improvements, buildings and improvements, furniture, equipment and vehicles. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010 capital assets.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2011	2010
Land	\$161,329	\$161,329
Construction in Progress	0	47,974
Land Improvements	1,832,127	1,890,991
Buildings and Improvements	19,682,322	19,616,191
Furniture and Equipment	209,643	273,939
Vehicles	329,802	332,045
Totals	\$22,215,223	\$22,322,469

See Note 9 to the financial statements for more detailed information of the School District's capital assets.

East Guernsey Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The total value of the School District's capital assets decreased \$107,246 in fiscal year 2011. The cost of annual depreciation expense was mostly offset by the addition to capital assets for a roof replacement.

Debt

At June 30, 2011, the School District had \$2,815,824 in general obligation bonds and capital leases outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2011	2010
2002 School Facilities & Refunding Bonds <i>BTES/BTMS Construction and BTHS Renovations/Additions</i>	\$205,000	\$2,305,000
2004 School Facilities Bonds <i>Activity Complex (including premium)</i>	1,167,211	1,266,547
2011 Refunding Bonds <i>Refunding 2002 Bonds (including premium and refunding difference)</i>	1,359,897	0
Capital Leases	83,716	117,843
Totals	\$2,815,824	\$3,689,390

See Note 15 for more information regarding debt. Outstanding bond debt was reduced by 24 percent in fiscal year 2011 as a result of scheduled debt payments, as well as refunding a portion of the 2002 Bonds which included payment of bonds from the District's debt retirement fund.

Economic Factors

The East Guernsey Local School District has achieved and maintained Effective School status as awarded by the Ohio Department of Education for the past ten school years. The District is committed to maintain that status as it faces the challenge of fiscal solvency. The Board of Education acknowledges that the School District is forecasting deficit spending. Four of the five projected years of the District's Board approved five year forecast reflect more expenditures than revenues. The Board will monitor actual operating results to make every attempt to avoid or minimize future deficit spending. To address this issue, the Board placed a ten year emergency operating levy on the November 2011 ballot. The Board recognizes that the need for expenditure reductions may result in decreased district staffing levels to avoid anticipated deficits, or may delay the implementation of certain aspects of the five year forecast plan. The School District relies heavily on state funding as indicated by the information presented in these statements. Any change to state funding has significant impact on the financial status of the district. Future financial planning for the district will involve the Board, members of the public, district administration and employees.

East Guernsey Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide the citizens, taxpayers, investors and creditors of the East Guernsey Local School District with a general overview of the School District's finances and to show the School District's accountability for the money it receives. For any requests for additional financial information or questions about this report, contact Gaye Lodge, Treasurer at East Guernsey Local School District, 237 Beymer Road, Old Washington, Ohio 43768 or email at Gaye.Lodge@omeresanet.net.

East Guernsey Local School District
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,278,348
Accounts Receivable	171
Intergovernmental Receivable	49,060
Prepaid Items	157,661
Materials and Supplies Inventory	45,981
Cash and Cash Equivalents with Fiscal Agent	766,311
Property Taxes Receivable	3,480,409
Deferred Charges	99,006
Non-Depreciable Capital Assets	161,329
Depreciable Capital Assets, Net	<u>22,053,894</u>
<i>Total Assets</i>	<u>31,092,170</u>
Liabilities	
Accounts Payable	117,531
Accrued Wages and Benefits Payable	815,820
Accrued Interest Payable	16,302
Accrued Vacation Benefits Payable	29,074
Matured Severance Payable	81,452
Claims Payable	135,889
Intergovernmental Payable	283,417
Deferred Revenue	1,802,908
Long-Term Liabilities:	
Due Within One Year	363,907
Due In More Than One Year	<u>3,070,477</u>
<i>Total Liabilities</i>	<u>6,716,777</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	19,535,616
Restricted for:	
Debt Service	1,341,414
Capital Projects	371,572
Classroom Facilities Maintenance	153,950
Federal Programs	7,652
Other Purposes	33,269
Unrestricted	<u>2,931,920</u>
<i>Total Net Assets</i>	<u><u>\$24,375,393</u></u>

See accompanying notes to the basic financial statements

East Guernsey Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$5,505,207	\$993,726	\$589,850	(\$3,921,631)
Special	1,302,091	0	549,749	(752,342)
Vocational	312,858	0	63,892	(248,966)
Adult/Continuing	6,610	0	0	(6,610)
Student Intervention Services	24,945	0	26,021	1,076
Support Services:				
Pupil	759,494	0	113,977	(645,517)
Instructional Staff	600,977	0	219,364	(381,613)
Board of Education	30,589	0	0	(30,589)
Administration	899,490	0	88,019	(811,471)
Fiscal	329,335	0	0	(329,335)
Operation and Maintenance of Plant	1,215,365	2,283	281	(1,212,801)
Pupil Transportation	1,023,047	0	0	(1,023,047)
Central	40,813	0	8,843	(31,970)
Food Service Operations	501,218	139,593	287,465	(74,160)
Extracurricular Activities	351,898	203,003	0	(148,895)
Interest and Fiscal Charges	110,778	0	0	(110,778)
<i>Total Governmental Activities</i>	<u>\$13,014,715</u>	<u>\$1,338,605</u>	<u>\$1,947,461</u>	<u>(9,728,649)</u>

General Revenues

Property Taxes Levied for General Purposes	2,193,178
Property Taxes Levied for Debt Service	684,552
Property Taxes Levied for Classroom Facilities Maintenance	36,355
Grants and Entitlements not Restricted to Specific Programs	6,662,321
Gifts and Contributions not Restricted to Specific Programs	48,337
Investment Earnings	30,279
Miscellaneous	75,369

Total General Revenues 9,730,391

Change in Net Assets 1,742

Net Assets Beginning of Year 24,373,651

Net Assets End of Year \$24,375,393

See accompanying notes to the basic financial statements

East Guernsey Local School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,569,012	\$1,008,526	\$700,810	\$4,278,348
Receivables:				
Property Taxes	2,630,631	802,888	46,890	3,480,409
Accounts	171	0	0	171
Intergovernmental	0	0	49,060	49,060
Prepaid Items	134,035	0	23,626	157,661
Materials and Supplies Inventory	42,443	0	3,538	45,981
<i>Total Assets</i>	<i>5,376,292</i>	<i>1,811,414</i>	<i>823,924</i>	<i>8,011,630</i>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	107,667	0	9,864	117,531
Accrued Wages and Benefits	693,970	0	121,850	815,820
Intergovernmental Payable	246,895	0	36,522	283,417
Matured Compensated Absences Payable	75,057	0	6,395	81,452
Deferred Revenue	1,957,620	599,170	38,283	2,595,073
<i>Total Liabilities</i>	<i>3,081,209</i>	<i>599,170</i>	<i>212,914</i>	<i>3,893,293</i>
Fund Balances				
Nonspendable:				
Inventories	42,443	0	3,538	45,981
Prepaid Items	134,035	0	23,626	157,661
Restricted for:				
Local Programs	0	0	33,269	33,269
Classroom Facilities Maintenance	0	0	141,725	141,725
Federal Programs	0	0	2,694	2,694
Debt Service	0	1,212,244	0	1,212,244
Capital Projects	0	0	450,877	450,877
Unassigned	2,118,605	0	(44,719)	2,073,886
<i>Total Fund Balances</i>	<i>2,295,083</i>	<i>1,212,244</i>	<i>611,010</i>	<i>4,118,337</i>
<i>Total Liabilities and Fund Balances</i>	<i>\$5,376,292</i>	<i>\$1,811,414</i>	<i>\$823,924</i>	<i>\$8,011,630</i>

See accompanying notes to the basic financial statements

East Guernsey Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2011*

Total Governmental Fund Balances \$4,118,337

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 22,215,223

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds.
Property Taxes 792,165

Unamortized issuance costs represent deferred charges which
do not provide current financial resources and, therefore, are
not reported in the funds. 99,006

An internal service fund is used by management to charge the costs of
insurance to individual funds. The assets and liabilities of the internal
service fund are included in governmental activities in the statement of net assets. 630,422

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds:

General Obligation Bonds	2,855,000
Bond Premiums	55,586
Refunding Difference	(178,478)
Compensated Absences	618,560
Vacation Benefits Payable	29,074
Capital Leases	83,716
Accrued Interest Payable	<u>16,302</u>

Total (3,479,760)

Net Assets of Governmental Activities \$24,375,393

See accompanying notes to the basic financial statements

East Guernsey Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,554,464	\$774,419	\$45,688	\$3,374,571
Intergovernmental	6,579,153	103,971	1,924,901	8,608,025
Interest	6,682	0	2,185	8,867
Tuition and Fees	993,726	0	0	993,726
Extracurricular Activities	139,368	0	63,635	203,003
Rent	2,283	0	0	2,283
Contributions and Donations	48,337	0	1,757	50,094
Charges for Services	0	0	139,593	139,593
Miscellaneous	71,898	0	3,471	75,369
<i>Total Revenues</i>	<u>10,395,911</u>	<u>878,390</u>	<u>2,181,230</u>	<u>13,455,531</u>
Expenditures				
Current:				
Instruction:				
Regular	4,165,378	0	603,517	4,768,895
Special	603,682	0	548,270	1,151,952
Vocational	277,198	0	0	277,198
Adult/Continuing	6,610	0	0	6,610
Student Intervention Services	1,179	0	25,652	26,831
Support Services:				
Pupil	567,993	0	115,260	683,253
Instructional Staff	330,121	0	223,588	553,709
Board of Education	30,589	0	0	30,589
Administration	793,279	0	92,011	885,290
Fiscal	310,071	20,260	1,186	331,517
Operation and Maintenance of Plant	1,088,101	0	135,295	1,223,396
Pupil Transportation	1,041,913	0	0	1,041,913
Central	2,899	0	37,807	40,706
Food Service Operations	0	0	482,837	482,837
Extracurricular Activities	212,707	0	62,527	275,234
Capital Outlay	0	0	1,246,234	1,246,234
Debt Service:				
Principal Retirement	34,127	195,000	0	229,127
Interest and Fiscal Charges	8,485	109,178	0	117,663
Issuance Costs	0	54,479	0	54,479
Advance Refunding Escrow	0	700,000	0	700,000
<i>Total Expenditures</i>	<u>9,474,332</u>	<u>1,078,917</u>	<u>3,574,184</u>	<u>14,127,433</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	921,579	(200,527)	(1,392,954)	(671,902)
Other Financing Sources (Uses)				
Transfers In	0	0	88,732	88,732
Refunding Bonds Issued	0	1,520,000	0	1,520,000
Premium on Refunding Bonds Issued	0	18,375	0	18,375
Transfers Out	(88,732)	0	0	(88,732)
Payment to Refunded Bond Escrow Agent	0	(1,478,478)	0	(1,478,478)
<i>Total Other Financing Sources (Uses)</i>	<u>(88,732)</u>	<u>59,897</u>	<u>88,732</u>	<u>59,897</u>
<i>Net Change in Fund Balances</i>	832,847	(140,630)	(1,304,222)	(612,005)
<i>Fund Balances Beginning of Year (Restated - Note 3)</i>	<u>1,462,236</u>	<u>1,352,874</u>	<u>1,915,232</u>	<u>4,730,342</u>
<i>Fund Balances End of Year</i>	<u>\$2,295,083</u>	<u>\$1,212,244</u>	<u>\$611,010</u>	<u>\$4,118,337</u>

See accompanying notes to the basic financial statements

East Guernsey Local School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$612,005)

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

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

Capital Outlay	1,332,097	
Depreciation	(828,310)	
Total	503,787	503,787

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (611,033)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:
Property Taxes (460,486)

Issuance of Debt is reported as other financing sources in governmental funds, but the issuance increases long term liabilities on the Statement of Net Assets

General Obligation Bonds	(1,520,000)	
Premium	(18,375)	
Total	(1,538,375)	(1,538,375)

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

General Obligation Bonds	195,000	
Capital Leases	34,127	
Total	229,127	229,127

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. The amortization of premiums are reported on the statement of activities.

Accrued Interest	(2,869)	
Premium	4,336	
Total	1,467	1,467

Bond Issuance Costs are debt service expenditures in governmental funds when aidm but are reported as deferred charges on the statement of net assets and are allocated as an expense over the life of the outstanding debt on the statement of activities.

Bond Issuance Costs Paid	54,479	
Issuance Costs Refunded	5,418	
Total	59,897	59,897

Payment to refunded bond escrow agent is an other financing use in governmental funds, but the payment reduces long-term liabilities on the statement of net assets. 1,478,478

Debt Service payments to the advance refunding escrow account is a debt service expenditure in governmental funds, but the payment reduces long-term liabilities on the statement of net assets 700,000

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

Vacation Benefits Payable	4,952	
Compensated Absences Payable	58,953	
Total	63,905	63,905

The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expenses) of the internal service fund is allocated among governmental activities. 186,980

Changes in Net Assets of Governmental Activities \$1,742

See accompanying notes to the basic financial statements

East Guernsey Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$1,963,000	\$1,963,000	\$2,042,484	\$79,484
Intergovernmental	6,605,156	6,605,156	6,604,983	(173)
Interest	10,200	10,200	6,682	(3,518)
Tuition and Fees	836,170	850,267	993,726	143,459
Rent	1,600	1,600	2,283	683
Extracurricular Activities	140,120	139,270	142,914	3,644
Contributions and Donations	38,100	38,100	48,337	10,237
Miscellaneous	33,400	35,900	71,727	35,827
<i>Total Revenues</i>	<u>9,627,746</u>	<u>9,643,493</u>	<u>9,913,136</u>	<u>269,643</u>
Expenditures				
Current:				
Instruction:				
Regular	4,724,957	4,597,203	4,209,677	387,526
Special	653,066	647,066	629,050	18,016
Vocational	334,611	334,611	289,095	45,516
Adult/Continuing	6,658	6,658	6,610	48
Student Intervention Services	6,000	6,000	4,875	1,125
Support Services:				
Pupil	660,743	663,743	588,323	75,420
Instructional Staff	239,639	324,403	318,392	6,011
Board of Education	43,059	43,059	39,426	3,633
Administration	782,941	804,941	798,153	6,788
Fiscal	318,028	330,028	318,457	11,571
Operation and Maintenance of Plant	1,195,911	1,235,911	1,228,200	7,711
Pupil Transportation	1,204,417	1,192,417	1,093,934	98,483
Central	1,060	5,060	1,197	3,863
Extracurricular Activities	193,235	217,235	210,207	7,028
<i>Total Expenditures</i>	<u>10,364,325</u>	<u>10,408,335</u>	<u>9,735,596</u>	<u>672,739</u>
Excess of Revenues Over (Under) Expenditures	<u>(736,579)</u>	<u>(764,842)</u>	<u>177,540</u>	<u>942,382</u>
Other Financing Uses				
Transfers Out	<u>0</u>	<u>(73,732)</u>	<u>(73,732)</u>	<u>0</u>
Total Other Financing Uses	<u>0</u>	<u>(73,732)</u>	<u>(73,732)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(736,579)</u>	<u>(838,574)</u>	<u>103,808</u>	<u>942,382</u>
<i>Fund Balance at Beginning of Year</i>	<u>1,558,301</u>	<u>1,558,301</u>	<u>1,558,301</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>547,600</u>	<u>547,600</u>	<u>547,600</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$1,369,322</u></u>	<u><u>\$1,267,327</u></u>	<u><u>\$2,209,709</u></u>	<u><u>\$942,382</u></u>

See accompanying notes to the basic financial statements

East Guernsey Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2011

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
Current Assets	
Cash and Cash Equivalents with Fiscal Agent	<u>\$766,311</u>
Current Liabilities	
Claims Payable	<u>135,889</u>
Net Assets	
Unrestricted	<u><u>\$630,422</u></u>

See accompanying notes to the basic financial statements

East Guernsey Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	<u>Governmental</u> <u>Activity</u> <u>Internal Service</u> <u>Fund</u>
Operating Revenues	
Charges for Services	\$1,846,663
Other Revenues	1,500
	<hr/>
<i>Total Operating Revenues</i>	1,848,163
	<hr/>
Operating Expenses	
Purchased Services	543,148
Claims	1,139,447
	<hr/>
<i>Total Operating Expenses</i>	1,682,595
	<hr/>
<i>Operating Income</i>	165,568
	<hr/>
Non-Operating Revenues	
Interest	21,412
	<hr/>
<i>Change in Net Assets</i>	186,980
	<hr/>
<i>Net Assets Beginning of Year</i>	443,442
	<hr/>
<i>Net Assets End of Year</i>	\$630,422
	<hr/> <hr/>

See accompanying notes to the basic financial statements

East Guernsey Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$1,846,663
Cash Payments for Goods and Services	(543,148)
Other Operating Revenues	1,500
Cash Payments for Claims	(1,214,667)
	90,348
<i>Net Cash Provided By Operating Activities</i>	
Cash Flows from Investing Activities	
Interest	21,412
	21,412
<i>Net Cash Provided by Investing Activities</i>	
<i>Net Increase in Cash and Cash Equivalents</i>	111,760
<i>Cash and Cash Equivalents Beginning of Year</i>	654,551
<i>Cash and Cash Equivalents End of Year</i>	\$766,311
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$165,568
Decrease in Claims Payable	(75,220)
	\$90,348
<i>Net Cash Provided By Operating Activities</i>	
See accompanying notes to the basic financial statements	

East Guernsey Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$8,493	\$35,268
Investments	44,207	0
	52,700	\$35,268
<i>Total Assets</i>	52,700	\$35,268
Liabilities		
Due to Students	0	\$35,268
	0	\$35,268
<i>Total Liabilities</i>	0	\$35,268
Net Assets		
Held in Trust for Scholarships	52,700	
	52,700	
<i>Total Net Assets</i>	\$52,700	

See accompanying notes to the basic financial statements

East Guernsey Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions and Donations	\$225
Interest	<u>2,297</u>
Total Additions	2,522
Deductions	
Scholarships Awarded	<u>1,677</u>
<i>Change in Net Assets</i>	845
<i>Net Assets Beginning of Year</i>	<u>51,855</u>
<i>Net Assets End of Year</i>	<u><u>\$52,700</u></u>

See accompanying notes to the basic financial statements

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The East Guernsey Local School District was formed in 1976 with the consolidation of Zane Trace Local Schools and Madison Consolidated Local Schools. The School District is located in southeastern Ohio and encompasses the eastern 45% of Guernsey County.

The East Guernsey Local School District operates under a locally elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. The School Board controls the School District's two instructional/support facilities, which are staffed by 62 classified employees, 73 certified teaching employees, and 8 administrators, who provide services to approximately 1,211 students and other community members. The School District's facilities are comprised of the Buckeye Trail Elementary/Middle School and the Buckeye Trial High School at the district educational campus; the Baker Activity Complex athletic fields and track; and the Board of Education and district administrative office.

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 of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the East Guernsey 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 organization's 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 organization's 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.

No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

The School District participates in the Mid East Career and Technology Centers, the Ohio Mid-Eastern Regional Educational Service Agency Informational Technology Center Regional Council of Governments, the Metropolitan Educational Council, and the Educational Regional Service System Region 12, which are defined as jointly governed organizations. The School District also participates in three public entity pools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Ohio School Plan insurance purchasing pool, and the Ohio Mid-Eastern Regional Educational Service Agency Self Insurance Plan, a risk sharing, claims servicing and insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Guernsey Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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 which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

Fund Financial Statements During the 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 governmental fund financial statements is on major funds. 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 type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund The General Fund is the 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 balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund The debt service fund is used to account for the accumulation of resources from a tax levy for, and the payment of, general long-term principal, interest, and related costs.

The other governmental funds of the School District account for grants and other resources whose uses are restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The following is the School District's only proprietary fund.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, prescription drug, vision and dental claims.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's fiduciary funds include private-purpose trust and agency funds. Private-purpose 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. The School District has a private purpose trust which accounts for various college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and assets held by the School District as an agent for outside activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net assets.

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

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues: Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal yearend: property taxes available as an advance, sales, grants, student fees and reimbursements.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the 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".

During fiscal year 2011, investments were limited to nonnegotiable certificates of deposit and State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market price or current share price.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for at June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$6,682 which includes \$3,650 assigned from other School District funds.

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. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

H. Capital Assets

The only capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded as of the date received. The School District maintains a capitalization threshold of three thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Land Improvements	15-50 Years
Buildings and Improvements	5-50 Years
Furniture, Fixtures and Equipment	5-20 Years
Vehicles	6-15 Years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. The School District records a liability for accumulated unused sick leave for employees to the extent it is probable that the benefits will result in termination payments based upon an estimate of past experience of making termination payments for sick leave.

The sick leave benefit liability is reported on the government-wide financial statements. On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employee will be paid.

K. Accrued Liabilities and Long-Term Obligations

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

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In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims, judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and loans are recognized as a liability on the governmental fund financial statements when due.

L. Bond Discounts, Premiums, and Issuance Costs

Bond issuance costs, bond premiums and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

Any difference (gain/loss) on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums, and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

M. Interfund Activity

Transfers within governmental activities on the government-wide statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (School District resolutions).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Net Assets

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

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grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for various local district managed activities and state grants restricted to expenditures for specified purposes. Of the total restricted net assets, none has resulted from enabling legislation.

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this determination are reported as non-operating.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. Estimates

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

S. Budgetary Data

All funds, other than agency funds, are legally required to be appropriated. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. 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, function level for the general fund, and at the fund level for all other funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

In accordance with the Ohio Revised Code, the County Budget Commission has provided for the apportionment of undivided local government funds under an alternative method that has been approved by school districts in the County. Under this alternative method, the County Budget Commission has waived the requirement for the School District to adopt a tax budget; the Commission does require that the School District provide fiscal reports and projections on an annual basis.

The certificate of estimated resources may be amended during the 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 statements reflect the amounts in the certificate when the original appropriations

East Guernsey Local School District
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were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect when the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

Changes in Accounting Principles For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

Restatement of Prior Year’s Fund Balance In prior years, the Classroom Facilities Fund has been reported as a major fund. As of June 30, 2011, the Classroom Facilities Fund will be presented as a nonmajor fund. The prior year balance is presented as a reconciling item in the table below for comparability between years. Due to the implementation of GASB Statement No. 54, fund reclassification occurred for two funds that had previously been reported as special revenue funds and are now being combined with the General Fund in accordance with the new standards. The effect of the changes is as follows:

	<u>Major Funds</u>		Other
	<u>General</u>	<u>Classroom Facilities</u>	<u>Governmental Funds</u>
Fund Balance, June 30, 2010	\$1,428,171	\$1,616,749	\$332,548
Classroom Facilities, Nonmajor Fund	0	(1,616,749)	1,616,749
Restatement, Fund Classification	<u>34,065</u>	<u>0</u>	<u>(34,065)</u>
Adjusted Fund Balance, June 30, 2010	<u><u>\$1,462,236</u></u>	<u><u>\$0</u></u>	<u><u>\$1,915,232</u></u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
 2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
 3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
 4. Transfers out are balance sheet transactions (GAAP basis) as opposed to operating transactions (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	General
GAAP Basis	\$832,847
Revenue Accruals	(482,775)
Transfers Out	15,000
Expenditure Accruals	98,039
Encumbrances	(359,303)
Budget Basis	\$103,808

NOTE 5 - CASH AND CASH EQUIVALENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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 that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

East Guernsey Local School District
Notes to the Basic Financial Statements
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2. Bonds, notes, debentures, or any other obligation or security 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;
 4. Bonds and other obligations of the State of Ohio;
 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) above;
 7. The State Treasurer's investment pool (STAROhio);
 8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At June 30, 2011, the School District's internal service fund had a balance of \$766,311 with OME-RESA, a public entity, risk sharing, claims servicing and insurance purchasing pool (see Note 17). The money is held by the claims servicing pool in a pooled account, which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3/40. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, Self-Insurance Plan, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,649,473 of the School District's bank balance of \$2,043,680 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2011, the School District had an investment in STAROhio, which is part of the internal investment pool. The fair value of STAROhio was \$2,397,186, and the investment has an average maturity of 58 days.

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Interest Rate Risk - The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk - STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District's 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 (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

The School District receives property taxes from Guernsey County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property and tangible personal property taxes which were measurable as of June 30, 2011 and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations

East Guernsey Local School District
Notes to the Basic Financial Statements
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and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011 was \$673,011 in the general fund, \$203,718 in the debt service fund, and \$12,104 in the facilities maintenance special revenue fund. The amount available as an advance at June 30, 2010, was \$161,031 in the general fund, \$50,724 in the debt service fund, and \$2,846 in the facilities maintenance special revenue fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which fiscal year 2011 taxes were collected were:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$105,374,070	93.99%	\$106,046,030	91.40%
Public Utility Personal	6,736,150	6.01%	9,979,110	8.60%
	\$112,110,220	100.00%	\$116,025,140	100.00%
Tax Rate per \$1,000 of assessed valuation		\$33.40		\$33.40

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011, consisted of property taxes, intergovernmental receivables and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectable by the County Auditor and recorded as a receivable in the amount of \$792,165 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
IDEA Part B	\$11,707
Title I	26,028
Title II-A	1,931
Title VI-B Rural	9,394
Total	\$49,060

East Guernsey Local School District
Notes to the Basic Financial Statements
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NOTE 8 – INTERFUND ACTIVITY

A. Transfers

Interfund transfers for the year ended June 30, 2011 consisted of the following:

<u>Transfer from</u>	<u>Transfer to</u>
General Fund	<u>Other Governmental Funds</u>
	<u>\$88,732</u>

The above mentioned Transfers From/To were used to move receipts from the General Fund which collected the receipts to the State Grants Fund for the general fund share of the electronic management information systems program, and included a transfer to the food service special revenue fund to offset a deficit.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Nondepreciable Capital Assets:				
Land	\$161,329	\$0	\$0	\$161,329
Construction in Progress	47,974	0	(47,974)	0
Total Nondepreciable Capital Assets	209,303	0	(47,974)	161,329
Depreciable Capital Assets:				
Land Improvements	2,346,409	0	0	2,346,409
Buildings and Improvements	25,572,478	1,294,208	(872,899)	25,993,787
Furniture and Equipment	794,519	0	(6,944)	787,575
Vehicles	1,579,081	85,863	0	1,664,944
Total Depreciable Capital Assets	30,292,487	1,380,071	(879,843)	30,792,715
Accumulated Depreciation:				
Land Improvements	(455,418)	(58,864)	0	(514,282)
Buildings and Improvements	(5,956,287)	(617,047)	261,870	(6,311,464)
Furniture and Equipment	(520,580)	(64,292)	6,940	(577,932)
Vehicles	(1,247,036)	(88,107)	0	(1,335,143)
Total Accumulated Depreciation	(8,179,321)	(828,310)	268,810	(8,738,821)
Total Depreciable Capital Assets, Net	22,113,166	551,761	(611,033)	22,053,894
Governmental Capital Assets, Net	\$22,322,469	\$551,761	(\$659,007)	\$22,215,223

East Guernsey Local School District
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Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$438,092
Special	87,879
Vocational	21,677
Support Services:	
Pupil	42,629
Instructional Staff	29,259
Administration	24,648
Fiscal	2,391
Operation and Maintenance of Plant	10,123
Pupil Transportation	90,305
Food Service Operations	16,819
Extracurricular Activities	64,488
Total Depreciation Expense	<u><u>\$828,310</u></u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with the Ohio School Plan for property insurance and boiler and machinery coverage. The policies include a \$1,000 deductible for property losses and crimes. Professional and general liability is also protected by the Ohio School Plan with a \$2,000,000 single occurrence limit and a \$5,000,000 general aggregate limit, and no deductible. Violence coverage is provided by the Ohio School Plan with an aggregate limit of \$500,000. Vehicles are covered by the Ohio School Plan Educational Automobile Insurance plan, with a \$1,000 deductible for comprehensive and collision for school buses, and a \$250 deductible for comprehensive and a \$500 deductible for collision for non-bus vehicles. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group rating Program (the Plan), an insurance purchasing pool (see Note 17). The plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Total savings is then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of CompManagement Inc provides administrative, cost control and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

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Health and dental coverages are provided on a self-insured basis through Ohio Mid Eastern Regional Education Service Agency Health Benefits Plan. A third party administrator, Self Funded Plans, Inc., reviews and pays the claims. For fiscal year 2011, the School District paid monthly premiums of \$1,349.14 for family coverage (full rate was \$1,485.48) and \$561.79 for individual coverage (full rate was \$618.55). Monthly premiums for dental coverage were \$67.53 for family and \$26.90 for single coverage, paid in full by the Board of Education. Premiums are charged to the same funds that pay the employees' salaries.

The claims liability of \$135,889 reported in the internal service fund at June 30, 2011 is based on information provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2010	\$77,272	\$1,748,449	\$1,614,612	\$211,109
2011	211,109	1,139,447	1,214,667	135,889

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description - 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 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 by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for fiscal years ended June 30, 2011, 2010 and 2009 were \$154,430, \$225,094, and \$128,506 respectively; 25.59 percent has been contributed for fiscal year 2011, while 100 percent has been contributed for fiscal years 2010 and 2009.

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For the Fiscal Year Ended June 30, 2011

B. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2011, 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. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for fiscal years 2011, 2010, and 2009 were \$575,102, \$587,717, and \$587,972 respectively; 79.78 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$6,130 made by the School District and \$4,379 made by the plan members.

C. Social Security System

Effective July 1, 1991, all compensated persons not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages.

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 – POST EMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report, which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011 this amount was \$35,800. The surcharge paid by the School District in fiscal year 2011 was \$21,217.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$19,287, \$8,834, and \$58,810 respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$9,972, \$13,428, and \$10,603 respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$42,314, \$43,434, and \$43,806 respectively; 79.78 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees who work 260 days earn ten to twenty-five days of vacation per year, depending upon length of service and/or Board action. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to eligible employees upon termination of employment. Employees who work less than 260 days do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for all employees. Upon retirement, payment is made for one-fourth of accrued and unused sick leave credit, (or otherwise if individually contracted) if SERS/STRS retirement prerequisites are met.

B. Other Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all regular employees through Metropolitan Life Insurance Company in the amount of \$20,000 per employee, with administrative personnel being provided \$50,000 of coverage. Supplemental life insurance coverage of \$20,000 for certified employees and \$30,000 for classified employees is purchased by some employees via payroll deduction at a cost of \$0.17 per \$1,000 per month. Vision insurance through Vision Service Plan (VSP) is available to employees enrolling in a mandatory steerage preferred provider organization plan. Those premiums were \$21.16 per month for family coverage, \$9.46 per month for single coverage and are paid in full by the Board of Education.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In the prior fiscal years, the School District entered into capitalized leases for copying equipment. The lease for copying equipment that was approved in prior fiscal years included an amount for the early retirement of the subsequent capital lease, and the replacement equipment was taken on trade as part of the terms of the new lease agreement. Therefore, capitalized copying equipment is less than the amount of the outstanding capital lease liability. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Equipment acquired by lease has been capitalized in the government wide financial statements in the amount of \$122,358, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability, net of the difference between the book value of the traded assets and the amount received for retirement of the existing lease, was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$48,939. Principal payments in fiscal year 2011 totaled \$34,127 in the governmental funds.

Future minimum lease payments through 2014 are as follows:

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$37,144	\$5,468	\$42,612
2013	40,427	2,185	42,612
2014	6,145	1,266	7,411
Total	\$83,716	\$8,919	\$92,635

NOTE 15 - LONG - TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Principal Outstanding 6/30/10	Additions	Deductions	Principal Outstanding 6/30/11	Amounts Due In One Year
2002 School Facilities Construction, Improvement, and Refunding Bonds					
Serial/Term Bonds, \$3,720,000 @ 3.5%-5.5%	\$2,305,000	\$0	\$2,100,000	\$205,000	\$100,000
Total School Facilities and Refunding Bonds	2,305,000	0	2,100,000	205,000	100,000
2004 School Facilities and Improvement Bonds					
Serial/Term Bonds, \$1,730,405 @ 2.25%-5.25%	1,225,000	0	95,000	1,130,000	100,000
Premium, \$69,369	41,547	0	4,336	37,211	0
Total School Facilities and Improvement Bonds	1,266,547	0	99,336	1,167,211	100,000
2011 Refunding Bonds					
Serial Bonds, \$1,520,000 @ 2.0%-4.0%	0	1,520,000	0	1,520,000	75,000
Refunding Difference \$178,478	0	(178,478)	0	(178,478)	0
Premium, \$18,375	0	18,375	0	18,375	0
Total Refunding Bonds	0	1,359,897	0	1,359,897	75,000
Total General Obligation Bonds	3,571,547	1,359,897	2,199,336	2,732,108	275,000
Capital Leases	117,843	0	34,127	83,716	37,144
Compensated Absences	677,513	(7,190)	51,763	618,560	51,763
Total General Long-Term Obligations	\$4,366,903	\$1,352,707	\$2,285,226	\$3,434,384	\$363,907

Capital leases will be paid from the General Fund. Compensated absences will be paid from the general and food service funds.

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

2002 School Facilities Construction and Improvement and Refunding Bonds - In November 2001 voters approved a bond issue to fund the construction of a new K-8 building and renovations and additions to the School District's high school. On September 26, 2002, general obligation bonds (the 2002 Bonds) were issued in the amount of \$3,720,000, which consisted of serial and term bonds. Of the total, \$830,000 of the bonds were issued to refund a portion of the 1992 Bonds; and \$2,890,000 of the bonds were issued to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a 23 year period, with final maturity at December 1, 2026. The bonds are being retired from the debt service fund from the proceeds of a bond issue tax levy. In connection with the passage of the 2002 Bonds, the School District also extended the half mill levy for maintenance of facilities.

In April 2011 a portion of the 2002 Bonds were refunded (see the 2011 Refunding Bonds). Principal and Interest requirements to retire the remaining 2002 School Facilities Construction, Improvement, and Refunding Bonds at June 30, 2011 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$100,000	\$5,375	\$105,375
2013	<u>105,000</u>	<u>1,838</u>	<u>106,838</u>
Total	<u>\$205,000</u>	<u>\$7,213</u>	<u>\$212,213</u>

2004 School Facilities and Improvement Bonds - On February 1, 2004, the School District issued \$1,730,405 in voted general obligation bonds (the 2004 bonds) which included serial and term bonds to pay the for the improvement of the activity complex at Buckeye Trail High School. The bonds were issued for a 16 year period with a final maturity at December 1, 2019. The bonds were issued at a premium of \$69,369, which is reported as a reduction to bonds payable. This premium is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance costs of \$65,295 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The bonds are being retired from the debt service fund from the proceeds of a bond issue tax levy.

The term bonds maturing on December 1, 2017 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Date	Principal Amount to be Redeemed
2015	\$125,000
2016	<u>130,000</u>
	<u>\$255,000</u>

The remaining principal amount of such bonds (\$140,000) will be paid at stated maturity on December 1, 2017.

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The term bonds maturing on December 1, 2019 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2018	<u>\$145,000</u>

The remaining principal amount of such bonds (\$155,000) will be paid at stated maturity on December 1, 2019.

The bonds maturing after December 1, 2014 are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2014, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

When partial redemption is authorized, the bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided, however, that the portion of any such bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

Principal and interest requirements to retire the 2004 School Facilities and Improvement Bonds at June 30, 2011 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$100,000	\$48,590	\$148,590
2013	105,000	45,384	150,384
2014	110,000	41,807	151,807
2015	120,000	37,837	157,837
2016	125,000	32,457	157,457
2017-2020	<u>570,000</u>	<u>59,688</u>	<u>629,688</u>
Total	<u>\$1,130,000</u>	<u>\$265,763</u>	<u>\$1,395,763</u>

2011 Refunding Bonds - On April 21, 2011, the School District issued \$1,520,000 in voted general obligation bonds (the 2011 bonds) which included serial and term bonds to refund the 2002 Bonds. The bonds were issued to partially refund outstanding 2002 School Facilities Construction Improvement and Refunding General Obligation Bonds. The bonds were issued for an 11 year period with a final maturity at December 1, 2021. At the date of refunding, \$1,478,478 (including premium and after underwriting fees, and other issuance costs), as well as \$700,000 provided from current School District resources paid from the debt service fund, was deposited in an escrow account to be used to fully call and repay the refunded bonds. See the Defeased Debt portion of this note below for details of the refunded bonds and escrow account.

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The bonds were issued at a premium of \$18,375, which is reported as a reduction to bonds payable. This premium is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance costs of \$54,479 will be reported as deferred charges and amortized over the life of the bonds using the straight-line method, beginning in fiscal year 2012. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$566,176. The amortization of the refunding difference will begin in fiscal year 2012. The refunding resulted in an economic gain of \$162,831.

The bonds are being retired from the debt service fund from the proceeds of a bond issue tax levy. The Bonds are not subject to redemption prior to stated maturity.

As part of the bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of AA from Standard & Poor's for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

Principal and interest requirements to retire the 2011 Refunding Bonds at June 30, 2011 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$75,000	\$44,750	\$119,750
2013	385,000	35,600	420,600
2014	140,000	30,350	170,350
2015	135,000	27,600	162,600
2016	135,000	24,563	159,563
2017-2022	<u>650,000</u>	<u>89,227</u>	<u>739,227</u>
Total	<u>\$1,520,000</u>	<u>\$252,090</u>	<u>\$1,772,090</u>

Defeased Debt:

On April 21, 2011, the School District issued \$1,520,000 of general obligation bonds, as detailed above. The bonds, as well as the \$700,000 payment from the current resources of the debt service fund were used to refund \$2,000,000 of outstanding 2002 School Facilities Construction, Improvement and Refunding General Obligation Bonds. The bonds were issued for an eleven year period with final maturity at December 1, 2021. At the date of refunding, \$1,478,478 (including premium and after underwriting fees and other issuance costs), and the \$700,000 payment from the debt service fund was deposited in an escrow account and will be used to repay the refunded bonds. As of June 30, 2011 all of the refunded bonds remained outstanding, and the balance in the escrow account was \$2,130,680.

The School District's overall legal debt margin was \$7,799,507, with an unvoted debt margin of \$116,025 at June 30, 2011.

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Mid East Career and Technology Center - The Mid East Career and Technology Center (MECTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the twelve participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2011, the School District made no contributions to the MECTC. To obtain financial information write to the Mid East Career and Technology Center, Treasurer, at 400 Richards Road, Zanesville, Ohio 45701.

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments - The Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Regional Council of Governments (OME-RESA) was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a Board comprised of a representative from each participating school district. The Board possesses its own budgeting and taxing authority. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2011, the total amount paid to OME-RESA from the School District for services provided was \$19,614 for technology services and \$22,380 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Metropolitan Educational Council - The Metropolitan Educational Council (MEC) is a consortium of school districts and related agencies in Ohio. The organization is composed of over 187 members. The governing board is comprised of either the superintendent or his designated representative from each participating school district in Franklin County and one representative from each county outside of Franklin County. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2011 was \$459. Financial information may be obtained from the Metropolitan Educational Council, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio 43232.

Educational Regional Service System Region 12 - The School District participates in the Educational Regional Service System Region 12 (ERSS), a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio 43701.

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 17 - PUBLIC ENTITY POOLS

A. Insurance 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 Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

B. Risk Sharing, Claims Servicing and Insurance Purchasing Pool

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of eighty-four members, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance and vision insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit, which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life, and allows for the purchase of vision insurance through Vision Service Plan.

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 18 - 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 and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. In prior years, the Board of Education authorized the expenditure of the budget reserve amount pursuant to State Statute, and as a result no budget reserve exists at June 30, 2011.

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

	Textbooks	Capital Improvements
Set-aside Restricted Balance as of June 30, 2010	\$0	\$0
Current Year Set-aside Requirement	176,769	176,769
Excess Qualified Expenditures from Prior Years	(61,324)	0
Offsetting Revenue	0	(79,519)
Qualifying Expenditures	(249,766)	(244,291)
Total	(\$134,321)	(\$147,041)
Balance Carried Forward to Fiscal Year 2012	\$0	\$0
Set-aside Restricted Balance as of June 30, 2011	\$0	\$0

The School District has qualifying disbursements from the current and prior fiscal years that reduced the textbook set-aside amount below zero. Effective July 1, 2011, House Bill 30, the "Unfunded Mandates Relief Act", eliminates the requirement that school districts annually set aside an amount per pupil into a textbook and instructional materials fund.

The School District had offsets and qualifying disbursements that reduced the capital improvements set-aside amount to below zero. This excess may not be carried forward to offset future year set-aside requirements. The District also had prior year capital expenditures from debt proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements, if needed.

East Guernsey Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 19 – CONTINGENCIES

A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

In prior years, the School District participated in the Ohio School Facilities Commission (OSFC) Classroom Facilities Assistance Program (CFAP) to construct a new K-8 school building and to renovate and enlarge the district's high school, including a roof replacement. The construction and renovations were completed in December 2004. When a defect in the roof material required the School District to re-roof both buildings in 2011, the OSFC authorized use of remaining project funds for the total cost of approximately \$1.2 million to replace the roof. The OSFC pursued a settlement of a portion of that replacement cost with the manufacturer, as a result of the material defect. On November 21, 2011 the District and OSFC as co-owners of the project, have agreed to a settlement in the amount of \$500,000. As of the date of the financial statements, the settlement has not been received.

NOTE 20 – SUBSEQUENT EVENTS

A. Emergency Operating Levy

The East Guernsey Local Board of Education took action on August 8, 2011 to place a ten year emergency operating levy on the ballot November 8, 2011. The levy failed.

B. Litigation

The School District is currently party to pending litigation. It is not possible at this time to make a judgment as to whether there is a reasonable possibility of an unfavorable outcome which could result in a material judgment against the School District.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2010/2011	10.555	\$ 7,848	\$ 7,848
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	64,033	64,033
National School Lunch Program	2010/2011	10.555	253,483	253,483
Summer Food Service Program	2010/2011	10.559	8,100	8,100
Cash Assistance Subtotal			<u>325,616</u>	<u>325,616</u>
Total Child Nutrition Cluster			<u>333,464</u>	<u>333,464</u>
Total U.S. Department of Agriculture			333,464	333,464
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2010	84.010	17,755	44,784
	2011		412,910	379,695
Title I Grants to Local Educational Agencies Subtotal			<u>430,665</u>	<u>424,479</u>
ARRA Title I Grants to Local Educational Agencies	2010	84.389	435	2,305
	2011		100,900	100,900
ARRA Title I Grants to Local Educational Agencies Subtotal			<u>101,335</u>	<u>103,205</u>
Total Title I, Part A Cluster			532,000	527,684
Special Education Cluster:				
Special Education Grants to States	2010	84.027	19,756	45,649
	2011		276,573	252,719
Special Education Grants to States Subtotal			<u>296,329</u>	<u>298,368</u>
ARRA - Special Education Grants to States	2010	84.391	7,200	15,611
	2011		102,893	93,718
ARRA - Special Education Grants to States subtotal			<u>110,093</u>	<u>109,329</u>
Total Special Education Cluster			406,422	407,697
Education Technology State Grants	2010	84.318	588	
	2011		1,463	1,463
Total Education Technology State Grants			<u>2,051</u>	<u>1,463</u>
Rural Education	2010	84.358	1,733	1,733
	2011		18,609	24,190
Total Rural Education			<u>20,342</u>	<u>25,923</u>
Improving Teacher Quality State Grants	2010	84.367	5,522	12,394
	2011		74,607	66,235
Total Improving Teacher Quality State Grants			<u>80,129</u>	<u>78,629</u>
ARRA Education Stabilization Fund	2011	84.394	518,574	518,574
Education Jobs Fund	2011	84.410	22,849	19,841
Total U.S. Department of Education			<u>1,582,367</u>	<u>1,579,811</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through Guernsey County Department of Job and Family Services:</i>				
Temporary Assistance for Needy Families - Social Worker Grant	n/a	93.558	15,000	15,000
Total U.S. Department of Health and Human Services			<u>15,000</u>	<u>15,000</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,930,831</u>	<u>\$ 1,928,275</u>

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

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

East Guernsey Local School District
Guernsey County
237 Beymer Road, P.O. Box 128
Old Washington, Ohio 43768

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Guernsey Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 28, 2011, wherein we noted the School District has adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

Dave Yost
Auditor of State

December 28, 2011



Dave Yost • Auditor of State

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

East Guernsey Local School District
Guernsey County
237 Beymer Road, P.O. Box 128
Old Washington, Ohio 43768

To the Board of Education:

Compliance

We have audited the compliance of the East Guernsey Local School District, Guernsey County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

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

Dave Yost
Auditor of State

December 28, 2011

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster – CFDA #84.027 and #84.391 ARRA – School Fiscal Stabilization Fund, Recovery Act – CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Independent Accountants' Report on Applying Agreed-Upon Procedure

East Guernsey Local School District
Guernsey County
537 Beymer Road, P.O. Box 128
Old Washington, Ohio 43768

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on December 20, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

December 28, 2011

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EAST GUERNSEY LOCAL SCHOOL DISTRICT

GUERNSEY 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
JANUARY 12, 2012**