



Dave Yost • Auditor of State

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	19
Statement of Fund Net Position – Proprietary Fund	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	21
Statement of Cash Flows – Proprietary Fund.....	22
Statement of Net Position – Fiduciary Funds	23
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	24
Notes to the Basic Financial Statements	25
Federal Awards Receipts and Expenditures Schedule.....	57
Notes to the Federal Awards Receipts and Expenditures Schedule	58

EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY

TABLE OF CONTENTS
(Continued)

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	61
Schedule of Findings - OMB Circular A-133 § .505	63
Independent Auditor's Report on Applying Agreed-Upon Procedures	65



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2013, the School District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Columbus, Ohio

February 20, 2014

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East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The discussion and analysis of the East Guernsey Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- Net position increased \$278,005, which represents a 1.1 percent increase from 2012.
- Capital assets decreased \$571,927 during fiscal year 2013.
- During the year, outstanding debt decreased from \$3,018,913 to \$2,578,489 due to principal payments made by the School District.

Using this Annual Report

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

The *Statement of Net Position 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 nonmajor funds presented in total in one column. In the case of the School District, the general fund and debt service fund are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, 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 2013?" The *Statement of Net Position* 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 account all of the current year's revenues and expenses regardless of when cash is received or paid.

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, 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 which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the 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 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 government operations and the basic services it provides. Governmental fund information helps you 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Fund The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 20.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 23 and 24. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
 Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012:

Table 1
Net Position

	Governmental Activities	
	2013	2012
Assets		
Current and Other Assets	\$ 11,403,783	\$ 10,942,518
Capital Assets	21,206,516	21,778,443
<i>Total Assets</i>	32,610,299	32,720,961
Liabilities		
Other Liabilities	3,442,078	3,264,387
Long-Term Liabilities	2,973,094	3,539,452
<i>Total Liabilities</i>	6,415,172	6,803,839
Net Position		
Net Investment in Capital Assets	18,677,034	18,885,966
Restricted	3,235,390	2,883,001
Unrestricted	4,282,703	4,148,155
<i>Total Net Position</i>	\$ 26,195,127	\$ 25,917,122

At year end, capital assets represented 65 percent of total assets. Capital assets include, land, land improvements, buildings and building improvements, furniture and equipment and vehicles. The net investment in capital assets was \$18,677,034 at June 30, 2013. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$3,235,390 or 12.4 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$4,282,703 may be used to meet the government's ongoing obligations to students and creditors.

The School District saw an increase in current and other assets in the amount of \$461,265. This is primarily due to an increase in property taxes receivable. Capital assets decreased \$571,927 primarily due to depreciation exceeding current year additions. There was also a \$566,358 decrease in long-term liabilities which is primarily due to debt payments made by the District.

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
 Unaudited

Table 2 shows the changes in net position for fiscal year 2013 and 2012.

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,350,440	\$ 1,725,831
Operating Grants	1,285,448	1,900,789
<i>Total Program Revenues</i>	<u>2,635,888</u>	<u>3,626,620</u>
<i>General Revenues:</i>		
Property Taxes	3,022,145	2,879,001
Grants and Entitlements Not Restricted	6,559,851	6,512,070
Other	97,802	673,144
<i>Total General Revenues</i>	<u>9,679,798</u>	<u>10,064,215</u>
<i>Total Revenues</i>	<u>12,315,686</u>	<u>13,690,835</u>
Program Expenses		
Instruction:		
Regular	4,575,155	4,686,869
Special	1,307,029	1,340,279
Vocational	128,098	283,182
Adult/Continuing	5,329	6,668
Student Intervention Services	1,911	4,773
Support Services:		
Pupils	703,793	694,692
Instructional Staff	556,386	542,230
Board of Education	38,966	32,910
Administration	905,839	857,710
Fiscal	465,740	354,265
Business	1,245	0
Operation and Maintenance of Plant	1,218,894	1,193,967
Pupil Transportation	1,027,173	1,038,868
Central	57,645	43,965
Operation of Non-Instructional Services:		
Food Service Operations	481,506	541,414
Community Services	11,669	0
Extracurricular Activities	328,841	319,896
Debt Service:		
Interest and Fiscal Charges	222,462	207,418
<i>Total Expenses</i>	<u>12,037,681</u>	<u>12,149,106</u>
<i>Increase (Decrease) in Net Position</i>	278,005	1,541,729
<i>Net Position at Beginning of Year</i>	<u>25,917,122</u>	<u>24,375,393</u>
<i>Net Position at End of Year</i>	<u>\$ 26,195,127</u>	<u>\$ 25,917,122</u>

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
 Unaudited

The School District saw a \$1,375,149 decrease in total revenues during fiscal year 2013. There was a \$615,341 decrease in operating grants, primarily due to the completion of the Education Jobs grant in fiscal year 2012. There was also a \$575,341 decrease in other revenue that was primarily due to the receipt of roof warranty funds in fiscal year 2012. Charges for services decreased due to the receipt of rental fees in 2012 from Chesapeake Exploration L.L.C. for an oil and gas lease.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2013	2012	2013	2012
Instruction:				
Regular	\$ 4,575,155	\$ 4,686,869	\$ 3,475,727	\$ 3,219,560
Special	1,307,029	1,340,279	699,568	742,296
Vocational	128,098	283,182	55,228	219,290
Adult/Continuing	5,329	6,668	5,329	6,668
Student Intervention Services	1,911	4,773	1,911	4,390
Support Services:				
Pupils	703,793	694,692	623,371	660,393
Instructional Staff	556,386	542,230	323,993	294,923
Board of Education	38,966	32,910	38,966	32,910
Administration	905,839	857,710	852,828	796,258
Fiscal	465,740	354,265	465,740	250,091
Business	1,245	0	1,245	0
Operation and Maintenance of Plant	1,218,894	1,193,967	1,177,687	804,262
Pupil Transportation	1,027,173	1,038,868	1,027,173	1,038,868
Central	57,645	43,965	57,645	43,965
Operation of Non-Instructional Services:				
Food Service Operations	481,506	541,414	196,821	59,770
Community Services	11,669	0	11,669	0
Extracurricular Activities	328,841	319,896	164,430	141,424
Debt Service:				
Interest and Fiscal Charges	222,462	207,418	222,462	207,418
Total Expenses	\$ 12,037,681	\$ 12,149,106	\$ 9,401,793	\$ 8,522,486

The dependence upon general revenues for governmental activities is apparent. Over 78 percent of governmental activities are supported through taxes and other general revenues; such revenues are 79 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
 Unaudited

Governmental Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,223,466 and expenditures of \$12,528,004 for fiscal year.

The general fund's net change in fund balance for fiscal year 2013 was a decrease of \$42,723.

The fund balance of the debt service fund decreased by \$250,852, due to the timing of property tax revenue compared to debt payments.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue of \$9,926,935 was higher than the final budget basis revenue by \$189,564. Most of this difference is due to an underestimation of intergovernmental revenue.

Final expenditure appropriations of \$10,948,043 were \$950,591 higher than the actual expenditures of \$9,997,452, as cost savings were recognized for instruction and student support services throughout the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$21,206,516 invested in capital assets. Table 4 shows fiscal year 2013 balances compared with 2012.

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

	Governmental Activities	
	2013	2012
Land	\$ 161,329	\$ 161,329
Construction in Progress	0	388,800
Land Improvements	1,727,205	1,773,587
Buildings and Improvements	18,848,361	19,054,742
Furniture and Equipment	195,936	148,595
Vehicles	273,685	251,390
<i>Totals</i>	\$ 21,206,516	\$ 21,778,443

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
 Unaudited

The \$571,927 decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. See Note 9 for more information about the capital assets of the School District.

Debt

At June 30, 2013, the School District had \$2,578,489 in debt outstanding. See Notes 14 and 15 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental Activities	
	2013	2012
2002 School Facilities & Refunding Bonds	\$ 0	\$ 105,000
2004 School Facilities Bonds	953,539	1,062,875
2011 Refunding Bonds	1,075,035	1,372,466
2012 House Bill 264 Notes	403,200	432,000
Capital Leases	146,715	46,572
<i>Total</i>	\$ 2,578,489	\$ 3,018,913

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Teresa Emmerling, Treasurer of East Guernsey Local School District, 237 Beymer Road, Old Washington, Ohio 43768 or email at teresa.emmerling@omeres.net.

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East Guernsey Local School District
Guernsey County, Ohio
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 6,318,863
Cash and Cash Equivalents with Fiscal Agent	1,033,581
Inventory Held For Resale	2,362
Materials and Supplies Inventory	33,442
Receivables:	
Accounts	19,862
Intergovernmental	210,965
Property Taxes	3,735,701
Deferred Charges	49,007
Nondepreciable Capital Assets	161,329
Depreciable Capital Assets (Net)	21,045,187
<i>Total Assets</i>	32,610,299
Liabilities	
Accounts Payable	104,715
Accrued Wages and Benefits	666,267
Intergovernmental Payable	198,223
Accrued Vacation Leave Payable	27,548
Matured Compensated Absences Payable	81,475
Accrued Interest Payable	7,462
Claims Payable	190,490
Deferred Revenue	2,165,898
Long Term Liabilities:	
Due Within One Year	407,142
Due In More Than One Year	2,565,952
<i>Total Liabilities</i>	6,415,172
Net Position	
Net Investment in Capital Assets	18,677,034
Restricted For:	
Capital Outlay	1,639,580
Debt Service	1,426,123
Classroom Facilities Maintenance	126,801
Federal Programs	2,995
Other Purposes	39,891
Unrestricted	4,282,703
<i>Total Net Position</i>	\$ 26,195,127

See accompanying notes to the financial statements

East Guernsey Local School District
Guernsey County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 4,575,155	\$ 1,059,013	\$ 40,415	\$ (3,475,727)
Special	1,307,029	5,969	601,492	(699,568)
Vocational	128,098	0	72,870	(55,228)
Adult/Continuing	5,329	0	0	(5,329)
Student Intervention Services	1,911	0	0	(1,911)
Support Services:				
Pupils	703,793	49,694	30,728	(623,371)
Instructional Staff	556,386	0	232,393	(323,993)
Board of Education	38,966	0	0	(38,966)
Administration	905,839	0	53,011	(852,828)
Fiscal	465,740	0	0	(465,740)
Business	1,245	0	0	(1,245)
Operation and Maintenance of Plant	1,218,894	0	41,207	(1,177,687)
Pupil Transportation	1,027,173	0	0	(1,027,173)
Central	57,645	0	0	(57,645)
Operation of Non-Instructional Services:				
Food Service Operations	481,506	73,393	211,292	(196,821)
Community Services	11,669	0	0	(11,669)
Extracurricular Activities	328,841	162,371	2,040	(164,430)
Debt Service:				
Interest and Fiscal Charges	222,462	0	0	(222,462)
Total	\$ 12,037,681	\$ 1,350,440	\$ 1,285,448	(9,401,793)

General Revenues

Property Taxes Levied for:	
General Purposes	2,276,780
Debt Service	279,502
Classroom Facilities Maintenance	38,818
Capital Outlay	427,045
Grants and Entitlements Not Restricted to Specific Programs	6,559,851
Investment Earnings	13,917
Miscellaneous	83,885
Total General Revenues	9,679,798
<i>Change in Net Position</i>	278,005
<i>Net Position Beginning of Year</i>	25,917,122
<i>Net Position End of Year</i>	\$ 26,195,127

See accompanying notes to the financial statements

East Guernsey Local School District
Guernsey County, Ohio
Balance Sheet
Governmental Funds
June 30, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 3,457,484	\$ 1,258,018	\$ 1,603,361	\$ 6,318,863
Inventory Held For Resale	0	0	2,362	2,362
Materials and Supplies Inventory	33,442	0	0	33,442
Receivables:				
Accounts	19,862	0	0	19,862
Interfund	72,381	0	0	72,381
Intergovernmental	7,408	0	203,557	210,965
Property Taxes	2,787,158	543,746	404,797	3,735,701
<i>Total Assets</i>	<u>\$ 6,377,735</u>	<u>\$ 1,801,764</u>	<u>\$ 2,214,077</u>	<u>\$ 10,393,576</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 65,497	\$ 0	\$ 39,218	\$ 104,715
Accrued Wages and Benefits	562,450	0	103,817	666,267
Intergovernmental Payable	172,542	0	25,681	198,223
Matured Compensated Absences Payable	81,475	0	0	81,475
Interfund Payable	0	0	72,381	72,381
Deferred Revenue	2,122,854	445,624	376,139	2,944,617
<i>Total Liabilities</i>	<u>3,004,818</u>	<u>445,624</u>	<u>617,236</u>	<u>4,067,678</u>
Fund Balances				
Nonspendable	33,442	0	2,362	35,804
Restricted	0	1,356,140	1,024,213	2,380,353
Committed	0	0	688,189	688,189
Assigned	1,013,448	0	0	1,013,448
Unassigned	2,326,027	0	(117,923)	2,208,104
<i>Total Fund Balances</i>	<u>3,372,917</u>	<u>1,356,140</u>	<u>1,596,841</u>	<u>6,325,898</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,377,735</u>	<u>\$ 1,801,764</u>	<u>\$ 2,214,077</u>	<u>\$ 10,393,576</u>

See accompanying notes to the financial statements

East Guernsey Local School District
Guernsey County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013

Total Governmental Fund Balances		\$ 6,325,898
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,206,516
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 687,974	
Intergovernmental	90,745	
Total		778,719
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 position.		843,091
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		49,007
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(7,462)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(1,985,000)	
Energy Conservation Notes	(403,200)	
Bond Premium	(43,574)	
Capital Leases	(146,715)	
Vacation Benefits Payable	(27,548)	
Compensated Absences	(394,605)	
Total		(3,000,642)
<i>Net Position of Governmental Activities</i>		<u>\$ 26,195,127</u>

See accompanying notes to the financial statements

East Guernsey Local School District
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 2,275,067	\$ 363,537	\$ 381,104	\$ 3,019,708
Intergovernmental	6,484,657	78,491	1,192,604	7,755,752
Investment Income	6,259	0	2,131	8,390
Tuition and Fees	1,026,048	0	0	1,026,048
Extracurricular Activities	133,456	0	78,610	212,066
Rentals	39,034	0	0	39,034
Charges for Services	0	0	73,393	73,393
Contributions and Donations	43,223	0	9,092	52,315
Miscellaneous	36,760	0	0	36,760
<i>Total Revenues</i>	<u>10,044,504</u>	<u>442,028</u>	<u>1,736,934</u>	<u>12,223,466</u>
Expenditures				
Current:				
Instruction:				
Regular	4,271,134	0	14,071	4,285,205
Special	623,606	0	649,374	1,272,980
Vocational	122,961	0	0	122,961
Adult/Continuing	5,329	0	0	5,329
Student Intervention Services	397	0	1,514	1,911
Support Services:				
Pupils	650,956	0	25,077	676,033
Instructional Staff	295,919	0	276,051	571,970
Board of Education	39,941	0	0	39,941
Administration	832,560	0	63,481	896,041
Fiscal	444,349	15,058	8,288	467,695
Business	1,245	0	0	1,245
Operation and Maintenance of Plant	1,155,250	0	91,581	1,246,831
Pupil Transportation	1,095,383	0	7,975	1,103,358
Central	62,893	0	0	62,893
Extracurricular Activities	208,992	0	85,053	294,045
Operation of Non-Instructional Services:				
Food Service Operations	0	0	491,309	491,309
Community Services	4,576	0	0	4,576
Capital Outlay	120,454	0	65,692	186,146
Debt Service:				
Principal Retirement	98,776	595,000	0	693,776
Interest and Fiscal Charges	20,937	82,822	0	103,759
<i>Total Expenditures</i>	<u>10,055,658</u>	<u>692,880</u>	<u>1,779,466</u>	<u>12,528,004</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(11,154)</u>	<u>(250,852)</u>	<u>(42,532)</u>	<u>(304,538)</u>
Other Financing Sources (Uses)				
Insurance Recoveries	45,272	0	1,750	47,022
Inception of Lease	170,119	0	0	170,119
Transfers In	0	0	246,960	246,960
Transfers Out	(246,960)	0	0	(246,960)
<i>Total Other Financing Sources (Uses)</i>	<u>(31,569)</u>	<u>0</u>	<u>248,710</u>	<u>217,141</u>
<i>Net Change in Fund Balance</i>	<u>(42,723)</u>	<u>(250,852)</u>	<u>206,178</u>	<u>(87,397)</u>
<i>Fund Balances Beginning of Year</i>	<u>3,415,640</u>	<u>1,606,992</u>	<u>1,390,663</u>	<u>6,413,295</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,372,917</u>	<u>\$ 1,356,140</u>	<u>\$ 1,596,841</u>	<u>\$ 6,325,898</u>

See accompanying notes to the financial statements

East Guernsey Local School District
Guernsey County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds	\$	(87,397)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 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 depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 309,068	
Current Year Depreciation	<u>(835,574)</u>	(526,506)
 Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(45,421)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	2,437	
Intergovernmental	<u>35,745</u>	38,182
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		693,776
 Inception of capital leases in the governmental funds that increase long-term debt in the statement of net position are not reported as revenues.		
		(170,119)
 In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	9,084	
Amortization of Issuance Costs	(44,554)	
Amortization of Premium on Bonds	6,006	
Amortization of Refunding Loss	<u>(89,239)</u>	(118,703)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		371,408
 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.		
Compensated Absences	125,934	
Vacation Benefits Payable	<u>(3,149)</u>	<u>122,785</u>
 <i>Change in Net Position of Governmental Activities</i>		 <u>\$ 278,005</u>

See accompanying notes to the financial statements

East Guernsey Local School District
Guernsey County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 2,206,117	\$ 2,226,296	\$ 2,269,637	\$ 43,341
Intergovernmental	6,300,666	6,358,300	6,482,081	123,781
Investment Income	4,814	4,858	4,953	95
Tuition and Fees	957,584	966,343	985,155	18,812
Extracurricular Activities	37,387	37,729	83,762	46,033
Rentals	81,418	82,162	38,463	(43,699)
Contributions and Donations	20,472	20,659	41,823	21,164
Miscellaneous	40,653	41,024	21,061	(19,963)
<i>Total Revenues</i>	<u>9,649,111</u>	<u>9,737,371</u>	<u>9,926,935</u>	<u>189,564</u>
Expenditures				
Current:				
Instruction:				
Regular	4,389,681	4,729,802	4,319,125	410,677
Special	635,037	684,241	624,830	59,411
Vocational	190,732	205,510	187,666	17,844
Adult/Continuing	5,416	5,836	5,329	507
Student Intervention Services	316	341	311	30
Support Services:				
Pupils	637,422	686,811	627,177	59,634
Instructional Staff	317,951	342,587	312,841	29,746
Board of Education	52,880	56,977	52,030	4,947
Administration	838,229	903,177	824,756	78,421
Fiscal	438,443	472,415	431,396	41,019
Business	1,265	1,363	1,245	118
Operation and Maintenance of Plant	1,193,171	1,285,618	1,173,992	111,626
Pupil Transportation	1,161,336	1,251,319	1,142,670	108,649
Central	63,917	68,870	62,890	5,980
Extracurricular Activities	186,198	200,625	183,205	17,420
Operation of Non-Instructional Services:				
Food Service Operations	4,651	5,011	4,576	435
Debt Service:				
Principal Retirement	29,270	31,538	28,800	2,738
Interest and Fiscal Charges	14,852	16,002	14,613	1,389
<i>Total Expenditures</i>	<u>10,160,767</u>	<u>10,948,043</u>	<u>9,997,452</u>	<u>950,591</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(511,656)</u>	<u>(1,210,672)</u>	<u>(70,517)</u>	<u>1,140,155</u>
Other Financing Sources (Uses)				
Refund of Prior Year Receipts	630	630	630	0
Insurance Recoveries	45,272	45,272	45,272	0
Advances In	26,000	26,000	26,000	0
Advances Out	(72,381)	(72,381)	(72,381)	0
Transfers Out	(246,960)	(246,960)	(246,960)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(247,439)</u>	<u>(247,439)</u>	<u>(247,439)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(759,095)	(1,458,111)	(317,956)	1,140,155
<i>Fund Balance Beginning of Year</i>	2,977,404	2,977,404	2,977,404	0
Prior Year Encumbrances Appropriated	382,850	382,850	382,850	0
<i>Fund Balance End of Year</i>	<u>\$ 2,601,159</u>	<u>\$ 1,902,143</u>	<u>\$ 3,042,298</u>	<u>\$ 1,140,155</u>

See accompanying notes to the financial statements

East Guernsey Local School District
Guernsey County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2013

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
<i>Current Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	<u>\$ 1,033,581</u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>190,490</u>
Net Position	
Unrestricted	<u><u>\$ 843,091</u></u>

See accompanying notes to the financial statements

East Guernsey Local School District
Guernsey County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund
Operating Revenue	
Charges for Services	\$ 2,438,908
Operating Expenses	
Purchased Services	621,844
Claims	1,452,672
<i>Total Operating Expenses</i>	2,074,516
<i>Operating Income</i>	364,392
Non-Operating Revenues	
Interest	7,016
<i>Change in Net Position</i>	371,408
<i>Net Position Beginning of Year</i>	471,683
<i>Net Position End of Year</i>	\$ 843,091

See accompanying notes to the financial statements

East Guernsey Local School District
Guernsey County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund
<hr/> <hr/>	
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 2,438,908
Cash Paid for Goods and Services	(610,088)
Cash Paid for Employee Benefits	(11,756)
Cash Paid for Claims	(1,459,894)
	<hr/>
<i>Net Cash Provided By Operating Activities</i>	357,170
	<hr/>
Cash Flows From Investing Activities	
Interest on Investments	7,016
	<hr/>
<i>Net Increase in Cash and Cash Equivalents</i>	364,186
<i>Cash and Cash Equivalents Beginning of Year</i>	669,395
	<hr/>
<i>Cash and Cash Equivalents End of Year</i>	\$ 1,033,581
	<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income	\$ 364,392
Adjustments:	
Decrease in Liabilities:	
Claims Payable	(7,222)
	<hr/>
<i>Net Cash Provided By Operating Activities</i>	\$ 357,170
	<hr/> <hr/>

See accompanying notes to the financial statements

East Guernsey Local School District
Guernsey County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Investments	\$ 5,058	\$ 22,183
Investments in Segregated Accounts	44,445	0
	<u> </u>	<u> </u>
<i>Total Assets</i>	49,503	\$ 22,183
	<u> </u>	<u> </u>
Liabilities		
Accounts Payable	0	\$ 250
Due to Students	0	21,933
	<u> </u>	<u> </u>
<i>Total Liabilities</i>	0	\$ 22,183
	<u> </u>	<u> </u>
Net Position		
Held in Trust for Scholarships	\$ 49,503	
	<u> </u>	

See accompanying notes to the financial statements

East Guernsey Local School District
Guernsey County, Ohio
Statement of Changes in Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 550
Investment Earnings	242
	792
<i>Total Additions</i>	<i>792</i>
 Deductions	
Payments in Accordance with Trust Agreements	2,015
<i>Change in Net Position</i>	<i>(1,223)</i>
<i>Net Position Beginning of Year</i>	<i>50,726</i>
<i>Net Position End of Year</i>	<i>\$ 49,503</i>

See accompanying notes to the financial statements

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The East Guernsey Local School District (the “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 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 provide services to approximately 1,195 students and other community members. The School District’s facilities are comprised of the Buckeye Trail Elementary/Middle School and the Buckeye Trail 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 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 Jefferson Health Plan, a risk sharing, claims servicing and insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the basic financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 establishing governmental accounting and financial reporting principles. 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 position 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 position 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 position 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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 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 position, 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 self-insurance program for employee medical, prescription drug, vision and dental claims.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. 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 Position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net position.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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 sixty 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 year-end: 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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 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.

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 Investments

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 investments".

During fiscal year 2013, investments were limited to nonnegotiable certificates of deposit, STAR Ohio and STAR Plus. 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.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for at June 30, 2013.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

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 2013 amounted to \$6,259 which includes \$2,828 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. Investments with an initial maturity of more than three months are reported as investments.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

F. Inventory

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

G. 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 Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. 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 and construction in progress. 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 and Equipment	5 - 20 Years
Vehicles	6 - 15 Years

H. 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 position.

I. 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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 compensated absences payable" in the fund from which the employee will be paid.

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments 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, notes and loans are recognized as a liability on the governmental fund financial statements when due.

K. 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.

L. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

M. 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.

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. The Board of Education has, by resolution, authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

N. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include activities for various local district managed activities and state grants restricted to expenditures for specified purposes.

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

O. 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.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred in fiscal year 2013.

Q. Estimates

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

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

R. 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 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.

S. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements*," GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*," GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*," and GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 3 – ACCOUNTABILITY

Fund balances at June 30, 2013 included the following individual fund deficits:

Non-major Special Revenue Funds:

Food Service	\$ 19,414
Miscellaneous Federal Programs	31,169
Title I	64,978

The deficits in the Special Revenue Funds are the result of over-expended grant resources and accrued liabilities. The General Fund provides transfers to cover deficit balances in the Special Revenue Funds; however, this is done when cash is needed rather than when accruals occur.

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 Balance - 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:

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. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Net Change in Fund Balance

GAAP Basis	\$ (42,723)
Net Adjustment for Revenue Accruals	(192,497)
Advances In	26,000
Net Adjustment for Expenditure Accruals	238,997
Advances Out	(72,381)
Adjustment for Encumbrances	<u>(275,352)</u>
Budget Basis	<u>\$ (317,956)</u>

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;
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;

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 (STAR Ohio and STAR Plus);
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, 2013, the School District's internal service fund had a balance of \$1,033,581 with the Jefferson Health Plan, 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 included in the risk disclosures reported by the School District. The classification of cash and cash equivalents for the Jefferson Health 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 Jefferson Health Plan, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Deposits

At fiscal year-end, the carrying amount of the District's deposits was \$5,242,639. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2013, \$4,333,003 of the School District's bank balance of \$5,328,856 was exposed to custodial risk as discussed below, while \$995,853 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$701,408 held in a STAR Plus account.

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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Investments

Investments are reported at fair value. As of June 30, 2013 the School District had the following investments:

<u>Standard & Poor's Rating</u>	<u>Entity</u>	<u>Fair Value</u>	<u>Investment Maturities in Months (0-6)</u>	<u>Percentage of Total Investment</u>
AAAm	STAR Ohio	\$ 1,147,910	\$ 1,147,910	100.00%

Interest Rate Risk The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. 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.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2013, is 58 days.

Credit Risk The School District's investments at June 30, 2013 are rated as shown above by Standard & Poor's. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage to total of each investment type held by the School District at June 30, 2013.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations 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, 2013 was \$664,304 in the general fund, \$98,122 in the debt service fund, \$107,935 in the permanent improvement fund and \$11,468 in the classroom facilities maintenance fund. The amount available as an advance at June 30, 2012, was \$658,874 in the general fund, \$199,651 in the debt service fund, and \$11,827 in the classroom facilities maintenance fund.

On an 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 2013 taxes were collected were:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 106,943,170	91%	\$ 115,197,750	91%
Public Utility Personal Property	9,990,560	9%	11,077,890	9%
Total	\$ 116,933,730	100%	\$ 126,275,640	100%
Full Tax Rate per \$1,000 of assessed valuation	\$ 33.40		\$ 30.10	

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013, consisted of property taxes, intergovernmental, interfund 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 collectible by the County Auditor and recorded as a receivable in the amount of \$687,974 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>Amount</u>
Title I - SI Sub A	\$ 37,651
Title I	91,700
Title II - A	10,299
Title II - D	3,295
Part B IDEA	60,612
Medicaid Reimbursement	7,408
Total	<u>\$ 210,965</u>

NOTE 8 – INTERFUND ACTIVITY

A. Interfund Balances

Interfund balances at June 30, 2013, consist of the following interfund receivables and payables:

	Interfund Receivable	Interfund Payable
General	\$ 72,381	\$ 0
Part B IDEA	0	40,750
Title I School Improvement	0	20,514
Title I	0	9,642
Title II-DA	0	1,475
	<u>\$ 72,381</u>	<u>\$ 72,381</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30, 2013. The outstanding advances are expected to be repaid once the anticipated revenues are received.

B. Transfers

Interfund transfers for the year ended June 30, 2013 consisted of the following:

Transfer To	Transfer From General
Food Service	\$ 246,960

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance 06/30/2012	Additions	Reductions	Balance 06/30/2013
Governmental Activities				
<i>Capital Assets, not Being Depreciated</i>				
Land	\$ 161,329	\$ 0	\$ 0	\$ 161,329
Construction in Progress	388,800	43,200	(432,000)	0
	<u>550,129</u>	<u>43,200</u>	<u>(432,000)</u>	<u>161,329</u>
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	2,346,409	23,157	0	2,369,566
Buildings and Improvements	25,993,786	432,000	0	26,425,786
Furniture and Equipment	786,814	147,102	(261,402)	672,514
Vehicles	1,664,945	95,609	(10,900)	1,749,654
	<u>30,791,954</u>	<u>697,868</u>	<u>(272,302)</u>	<u>31,217,520</u>
<i>Total Capital Assets, Being Depreciated</i>				
Less: Accumulated Depreciation				
Land Improvements	(572,822)	(69,539)	0	(642,361)
Buildings and Improvements	(6,939,044)	(638,381)	0	(7,577,425)
Furniture and Equipment	(638,219)	(54,340)	215,981	(476,578)
Vehicles	(1,413,555)	(73,314)	10,900	(1,475,969)
	<u>(9,563,640)</u>	<u>(835,574) *</u>	<u>226,881</u>	<u>(10,172,333)</u>
<i>Total Accumulated Depreciation</i>				
<i>Total Capital Assets Being Depreciated, Net</i>	<u>21,228,314</u>	<u>(137,706)</u>	<u>(45,421)</u>	<u>21,045,187</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 21,778,443</u>	<u>\$ (94,506)</u>	<u>\$ (477,421)</u>	<u>\$ 21,206,516</u>

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Depreciation expense was charged to governmental activities as follows:

Instruction:			
Regular	\$	420,275	
Special		101,939	
Vocational		15,532	
Support Services:			
Pupil		46,939	
Instructional Staff		33,409	
Administration		23,710	
Fiscal		2,391	
Operation and Maintenance of Plant		21,531	
Pupil Transportation		74,799	
Operation of Non-Instructional Services		18,256	
Extracurricular Activities		76,793	
		<u>76,793</u>	
<i>Total Depreciation</i>	<u>\$</u>	<u>835,574</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 2013, 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 2013, 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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Health and dental coverages are provided on a self-insured basis through the Jefferson Health Plan. A third party administrator, Self Funded Plans, Inc, reviews and pays the claims. For fiscal year 2013, the School District paid monthly premiums of \$1,818.37 for family coverage (full rate \$2,006.79) and \$760.26 for individual coverage (full rate \$839.09). Monthly premiums for dental coverage were \$71.46 for family and \$28.46 for single coverage, paid in full by the Board. Premiums are charged to the same funds that pay the employees' salaries.

The claims liability of \$190,490 reported in the internal service fund at June 30, 2013 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	Claims	Payments	Balance at End of Year
2012	\$	135,889	\$ 1,630,970	\$ 1,569,147	\$ 197,712
2013	\$	197,712	\$ 1,452,672	\$ 1,459,894	\$ 190,490

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 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 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to 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 and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$170,626, \$132,158 and \$154,430, respectively; 53 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, 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 member. 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 of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by 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 employer contributions. 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 the fiscal years ended June 30, 2013, 2012 and 2011 were \$479,917, \$518,262 and \$576,021, respectively; 84 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$5,465 made by the School District and \$3,904 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, certain members of the Board of Education have elected social security. The Board’s liability is 6.2 percent of wages paid.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute, SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 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 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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 (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$24,884, \$27,327, and \$40,504, respectively; 53 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$9,638, \$7,909, and \$9,972, respectively; 53 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (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 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$36,917, \$36,608, and \$42,314, respectively; 84 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 since they transfer 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 \$120,454, 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. Total principal payments for fiscal year 2013 were \$69,976. This includes \$23,404 for the new lease, as well as a payoff in the amount of \$46,572 for the old lease.

Future minimum lease payments through 2014 are as follows:

			Governmental Activities
			<u>Capital Lease</u>
Year ending December 31,	2014	\$	37,596
	2015		37,596
	2016		37,596
	2017		37,596
	2018		9,399
Minimum lease payments			<u>159,783</u>
Less: amount representing interest at the School's incremental borrowing rate of interest			13,068
Present value of net minimum lease payments		\$	<u><u>146,715</u></u>

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 15 - LONG TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Outstanding 6/30/2012	Additions	Reductions	Outstanding 6/30/2013	Amounts Due in One Year
Governmental Activities:					
<i>2002 School Facilities Construction, Improvement, and Refunding Bonds</i>					
Serial/Term Bonds, \$3,720,000 @ 3.5%-5.5%	\$ 105,000	\$ 0	\$ (105,000)	\$ 0	\$ 0
<i>2004 School Facilities and Improvement Bonds</i>					
Serial/Term Bonds, \$1,730,405 @ 2.25% - 5.25%	1,030,000		(105,000)	925,000	110,000
Premium, \$69,369	32,875	(4,336)	0	28,539	0
<i>Total School Facilities and Improvement Bonds</i>	1,062,875	(4,336)	(105,000)	953,539	110,000
<i>2011 Refunding Bonds</i>					
Serial Bonds, \$1,520,000 @ 2.0% - 4.0%	1,445,000	0	(385,000)	1,060,000	140,000
Refunding Difference, \$178,478	(89,239)	0	89,239	0	0
Premium, \$18,375	16,705	(1,670)	0	15,035	0
<i>Total Refunding Bonds</i>	1,372,466	(1,670)	(295,761)	1,075,035	140,000
<i>2012 Energy Conservation Notes</i>					
Series 2012, \$432,000 @ 3.5%	432,000	0	(28,800)	403,200	28,800
Capital Leases Payable	46,572	170,119	(69,976)	146,715	32,316
Compensated Absences	520,539	52,983	(178,917)	394,605	96,026
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 3,539,452</u>	<u>\$ 217,096</u>	<u>\$ (783,454)</u>	<u>\$ 2,973,094</u>	<u>\$ 407,142</u>

Capital leases will be paid from the general fund. Compensated absences will be paid from the general fund.

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 2012 a portion of the 2002 Bonds were refunded (see the 2011 Refunding Bonds). The 2002 School Facilities Construction, Improvement, and Refunding Bonds were fully retired in fiscal year 2013.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 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:

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

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

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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Principal and interest requirements to retire the 2004 School Facilities and Improvement Bonds at June 30, 2013 are as follows:

Fiscal Year	<u>Principal</u>	<u>Interest</u>
2014	\$ 110,000	\$ 41,807
2015	120,000	37,837
2016	125,000	32,457
2017	130,000	25,763
2018	140,000	18,675
2019	<u>300,000</u>	<u>15,250</u>
	<u>\$ 925,000</u>	<u>\$ 171,789</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.

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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Principal and interest requirements to retire the 2011 Refunding Bonds at June 30, 2013 are as follows:

Fiscal Year	Principal	Interest
2014	\$ 140,000	\$ 30,350
2015	135,000	27,600
2016	135,000	24,563
2017	140,000	20,949
2018	35,000	18,500
2019-2022	475,000	49,778
	\$ 1,060,000	\$ 171,740

2012 Energy Conservation Notes - On March 21, 2012, the School District issued \$432,000 in energy conservation notes (the 2013 notes) to pay for the cost of energy conservation capital upgrades. The notes were issued for a 15 year period with a final maturity at December 1, 2026.

The notes are being retired from the general fund from the resulting savings in energy costs. The notes 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 date at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The notes are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts below.

Principal and interest requirements to retire the 2012 note at June 30, 2013 are as follows:

Fiscal Year	Principal	Interest
2014	\$ 28,800	\$ 13,608
2015	28,800	12,600
2016	28,800	11,592
2017	28,800	10,584
2018	28,800	9,576
2019-2023	144,000	32,760
2024-2026	115,200	8,064
	\$ 403,200	\$ 98,784

The School District's overall legal debt margin was \$10,440,683, with an unvoted debt margin of \$126,276 at June 30, 2013.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 2013, 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 2013, the total amount paid to OME-RESA from the School District for services provided was \$40,000. 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 2013 was \$430. Financial information may be obtained from the Metropolitan Educational Council, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio 43232.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

B. Risk Sharing, Claims Servicing and Insurance Purchasing Pool

Jefferson Health Plan Self-Insurance Plan - The School District participates in the Jefferson Health Plan (Plan) Self-Insurance Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over a hundred 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 \$150,000 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 \$500,000, and all claims between the deductible and the \$500,000 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 \$500,000, 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 American United Life, and allows for the purchase of vision insurance through Vision Service Plan.

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 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.

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2012	\$ 0
Current Year Set-aside Requirement	197,404
Current Year Offsets	(307,049)
Totals	\$ (109,645)
Balance Carried Forward to Fiscal Year 2014	\$ 0
Set-aside Restricted Balance as of June 30, 2013	\$ 0

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The School District had offsets 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 School 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.

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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

C. Lease

The Board of Education has entered into two “Paid-Up” Oil and Gas Leases effective February 2, 2012 and continuing through February 8, 2017 with Chesapeake Exploration, L.L.C. In consideration of the execution of the leases, the School District received bonuses of \$339,750 during fiscal year 2012. The School District has a total of 68.9520 acres subject to the lease provisions which call for payments to the lessor, in addition to the bonus, royalties, less all taxes, assessments, and adjustments on production from the leasehold in the amount of 20 percent for oil or gas. The total carrying value of the land leased is \$157,229. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the School District has not received any financial compensation beyond the bonus.

D. Other Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District’s commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 213,757
Nonmajor Governmental	85,104
	<u>\$ 298,861</u>

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 20 – FUND BALANCE

Fund balance can be classified as non-spendable, restricted, committed, assigned and/or unassigned 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 constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Debt Service Fund	Other Governmental Funds	Total
Nonspendable for:				
Inventory	\$ 33,442	\$ 0	\$ 2,362	\$ 35,804
Total Nonspendable	<u>33,442</u>	<u>0</u>	<u>2,362</u>	<u>35,804</u>
Restricted for:				
Debt Service	0	1,356,140	0	1,356,140
Capital Outlay	0	0	866,200	866,200
Facilities Maintenance	0	0	118,122	118,122
Miscellaneous State Programs	0	0	7,215	7,215
Miscellaneous Local Programs	0	0	32,676	32,676
Total Restricted	<u>0</u>	<u>1,356,140</u>	<u>1,024,213</u>	<u>2,380,353</u>
Committed for:				
Capital Outlay	0	0	688,189	688,189
Total Comitted	<u>0</u>	<u>0</u>	<u>688,189</u>	<u>688,189</u>
Assigned for:				
Encumbrances:				
Instruction	102,151	0	0	102,151
Support Services	111,606	0	0	111,606
Subsequent Year Appropriations	799,691	0	0	799,691
Total Assigned	<u>1,013,448</u>	<u>0</u>	<u>0</u>	<u>1,013,448</u>
Unassigned	2,326,027	0	(117,923)	2,208,104
<i>Total Fund Balance (Deficit)</i>	<u><u>\$ 3,372,917</u></u>	<u><u>\$ 1,356,140</u></u>	<u><u>\$ 1,596,841</u></u>	<u><u>\$ 6,325,898</u></u>

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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:				
Cash Assistance:				
School Breakfast Program	2012/2013	10.553	\$ 88,395	\$ 88,395
National School Lunch Program	2012/2013	10.555	141,019	141,019
After School Snack Program	2012/2013		3,249	3,249
Total National School Lunch Program			<u>144,268</u>	<u>144,268</u>
Total Child Nutrition Cluster			<u>232,663</u>	<u>232,663</u>
Total U.S. Department of Agriculture			232,663	232,663
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2012	84.010	47,044	82,231
	2013		494,851	504,493
School Improvement	2013		<u>17,349</u>	<u>37,862</u>
Total Title I Grants to Local Educational Agencies			559,244	624,586
Special Education Cluster:				
Special Education Grants to States	2012	84.027	9,021	19,499
	2013		<u>208,759</u>	<u>249,509</u>
Total Special Education Grants to States			217,780	269,008
Special Education Preschool Grant	2013	84.173	<u>10,808</u>	<u>10,808</u>
Total Special Education Cluster			228,588	279,816
Rural Education Grant	2012	84.358	14,693	13,693
	2013		<u>17,228</u>	<u>15,848</u>
Total Rural Education Grant			31,921	29,541
Improving Teacher Quality State Grants	2012	84.367	5,503	9,954
	2013		<u>53,955</u>	<u>55,430</u>
Total Improving Teacher Quality State Grants			59,458	65,384
ARRA - Resident Educator Program (Race to the Top)	2012	84.395	1,050	
Education Technology State Grants	2012	84.318	<u>3,744</u>	<u>3,744</u>
Total U.S. Department of Education			<u>884,005</u>	<u>1,003,071</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,116,668</u>	<u>\$ 1,235,734</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, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports 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 - EARLY CHILDHOOD SPECIAL EDUCATION PRE-SCHOOL GRANT

The Special Education Pre-School Grant funds are passed-through to the Ohio Valley Educational Service Center who is the fiscal agent for these funds.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 20, 2014. We also noted the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 20, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited the East Guernsey Local School District's, Guernsey County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

Management's Responsibility

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

In our opinion, the School District complied in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 20, 2014

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies, CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	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 AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

East Guernsey Local School District
Guernsey County
237 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 or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the East Guernsey Local School District, Guernsey County, Ohio, 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 October 23, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

Columbus, Ohio

February 20, 2014

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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
MARCH 11, 2014**