



Rea & associates *a brighter way*

East Guernsey Local School District Guernsey County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2015



Dave Yost • Auditor of State

Board of Education
East Guernsey Local School District
237 Beymer Road, P.O. Box 128
Old Washington, OH 43768

We have reviewed the Independent Auditor's Report of the East Guernsey Local School District, Guernsey County, prepared by Rea & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 11, 2016

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Guernsey County, Ohio
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Guernsey County, Ohio

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March 14, 2016

To the Board of Education
East Guernsey Local School District
Guernsey County, Ohio
237 Beymer Road, P.O. Box 128
Old Washington, OH 43768

Independent Auditor's Report

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 East Guernsey Local School District, Guernsey County, Ohio, (the "School District") as of and for the year ended June 30, 2015, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of East Guernsey Local School District, Guernsey County, Ohio, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 3, the School District restated the net position balance to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The School District also restated net position to account for a re-valuation of capital assets. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the School District's Proportionate Share of the Net Pension Liability, and Schedule of School District Contributions on pages 5–14, 63, and 64–65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Hea & Associates, Inc.

New Philadelphia, Ohio

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East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

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, 2015. 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 2015 are as follows:

- Net position decreased \$261,427, which represents a 2 percent decrease from 2014.
- Capital assets decreased \$619,540 during fiscal year 2015.
- During the fiscal year, outstanding debt decreased from \$2,237,164 to \$1,915,062 due to principal payments made by the School District.
- The School District implemented GASB 68, which reduced beginning net position as previously reported by \$11.7 million.

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, debt service fund and permanent improvement fund are 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 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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, 2015

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 17. 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, debt service fund and the permanent improvement 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 22.

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 25 and 26. 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, 2015

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 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities	
	2015	2014 Restated
Assets		
Current and Other Assets	\$ 13,077,726	\$ 11,707,649
Capital Assets	19,536,134	20,155,674
<i>Total Assets</i>	<u>32,613,860</u>	<u>31,863,323</u>
Deferred Outflows of Resources		
Pension	796,463	626,154
Liabilities		
Other Liabilities	1,466,780	1,228,237
Long-Term Liabilities		
Due Within One Year	429,697	411,771
Due in More Than One Year		
Net Pension Liability	10,382,072	12,328,141
Other Amounts	2,005,823	2,246,218
<i>Total Liabilities</i>	<u>14,284,372</u>	<u>16,214,367</u>
Deferred Inflows of Resources		
Property Taxes and Other	2,842,866	1,596,719
Pension	1,866,121	0
<i>Total Deferred Inflows of Resources</i>	<u>4,708,987</u>	<u>1,596,719</u>
Net Position		
Net Investment in Capital Assets	17,621,072	18,613,510
Restricted	2,241,332	3,644,343
Unrestricted	(5,445,440)	(7,579,462)
<i>Total Net Position</i>	<u>\$ 14,416,964</u>	<u>\$ 14,678,391</u>

During fiscal year 2015, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$26,380,378 to \$14,678,391.

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

At year end, capital assets represented 59 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets was \$17,621,072 at June 30, 2015. 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, \$2,241,332 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$5,445,440, which was caused by the implementation of GASB 68 and 71.

Intergovernmental receivable decreased by \$612,447, which is primarily due to the completion of the Straight A grant that was awarded in fiscal year 2014. Taxes receivable increased \$1,269,904 due to an increase in the tax valuation by the County. The School District also saw a \$694,572 increase in pooled cash and cash equivalents that was partially caused by an increase in property tax revenue. Capital assets decreased \$619,540 due to depreciation exceeding current year additions.

Long-term liabilities decreased \$2,168,538, or 14 percent, primarily due to a decrease in net pension liability. Deferred inflows increased \$3,112,268 due to the implementation of GASB 68 and an increase in property taxes levied for next year as a result of the increased property tax values.

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East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,325,106	\$ 1,317,548
Operating Grants	1,856,109	2,245,398
<i>Total Program Revenues</i>	<u>3,181,215</u>	<u>3,562,946</u>
<i>General Revenues:</i>		
Property Taxes	3,329,194	2,926,325
Grants and Entitlements Not Restricted	6,288,249	6,165,023
Other	121,598	95,503
<i>Total General Revenues</i>	<u>9,739,041</u>	<u>9,186,851</u>
<i>Total Revenues</i>	<u>12,920,256</u>	<u>12,749,797</u>
Program Expenses		
Instruction:		
Regular	5,464,386	4,586,662
Special	1,049,116	1,335,228
Vocational	256,531	189,906
Adult/Continuing	7,629	8,040
Student Intervention Services	207,107	109,675
Support Services:		
Pupils	981,799	1,014,332
Instructional Staff	423,085	324,498
Board of Education	49,986	71,626
Administration	924,145	852,039
Fiscal	464,897	424,950
Operation and Maintenance of Plant	1,179,392	1,197,708
Pupil Transportation	1,204,005	1,083,841
Central	72,239	68,977
Operation of Non-Instructional Services:		
Food Service Operations	461,830	402,050
Community Services	0	1,150
Extracurricular Activities	364,524	346,388
Debt Service:		
Interest and Fiscal Charges	71,012	107,547
Issuance Costs	0	52,827
<i>Total Expenses</i>	<u>13,181,683</u>	<u>12,177,444</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ (261,427)</u>	<u>\$ 572,353</u>

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$626,154 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$448,941. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68		\$	13,181,683
Pension expense under GASB 68			(448,941)
2015 contractually required contribution			699,198
Adjusted 2015 program expenses			13,431,940
Total 2014 program expenses under GASB 27			12,177,444
Increase in program expenses not related to pension		\$	1,254,496

The School District saw a \$389,289 decrease in operating grants, primarily due to the recognition of the Straight A Grant that was awarded to the School District in fiscal year 2014. Property taxes increased \$402,869 due to an increase in the tax valuation by the County.

There was an \$877,724 increase in regular instruction expenditures. This was partially due to additional technology and instructional services purchased through the Straight A grant. There were also fluctuations between regular and special instruction expenses that are attributed to the re-distribution of personnel within the School District.

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

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East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

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	
	2015	2014	2015	2014
Instruction:				
Regular	\$ 5,464,386	\$ 4,586,662	\$ 3,976,600	\$ 3,180,687
Special	1,049,116	1,335,228	222,461	189,655
Vocational	256,531	189,906	206,606	159,571
Adult/Continuing	7,629	8,040	7,629	8,040
Student Intervention Services	207,107	109,675	207,107	109,675
Support Services:				
Pupils	981,799	1,014,332	912,852	726,215
Instructional Staff	423,085	324,498	279,048	298,491
Board of Education	49,986	71,626	49,986	71,626
Administration	924,145	852,039	816,410	772,607
Fiscal	464,897	424,950	464,897	424,950
Business	0	0	0	0
Operation and Maintenance of Plant	1,179,392	1,197,708	1,173,535	1,156,486
Pupil Transportation	1,204,005	1,083,841	1,200,058	1,081,096
Central	72,239	68,977	72,239	68,977
Operation of Non-Instructional Services:				
Food Service Operations	461,830	402,050	89,345	4,937
Community Services	0	1,150	0	1,150
Extracurricular Activities	364,524	346,388	250,683	199,961
Debt Service:				
Interest and Fiscal Charges	71,012	107,547	71,012	107,547
Issuance Costs	0	52,827	0	52,827
<i>Total Expenses</i>	\$ 13,181,683	\$ 12,177,444	\$ 10,000,468	\$ 8,614,498

The dependence upon general revenues for governmental activities is apparent. Nearly 76 percent of governmental activities are supported through taxes and other general revenues; such revenues are 75 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,503,044 and expenditures of \$12,970,809 for fiscal year 2015.

East Guernsey Local School District
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Management's Discussion and Analysis
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The general fund's net change in fund balance for fiscal year 2015 was an increase of \$206,973. There was a \$467,130 increase in total revenue over fiscal year 2014. This was primarily caused by an increase in property tax revenue due to the increase in tax valuation by the County. This was offset by a \$740,818 increase in expenditures which was primarily caused by an increase in payroll related expenditures in regular instruction.

The fund balance of the debt service fund decreased by \$166,653, due to the timing of property tax revenue compared to debt payments.

The fund balance of the permanent improvement fund increased by \$245,728, due to the timing of property tax revenue compared to project related expenditures.

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 2015, the School District amended its general fund budget. 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 \$10,425,160 was higher than the final budget basis revenue by \$96,515. Final budget revenue of \$10,328,645 was \$748,492 higher than original budget revenue of \$9,580,153. This was due to an increase in estimated property tax revenue caused by a significant increase in the tax valuation for the School District.

Final expenditure appropriations of \$11,065,384 were \$579,044 higher than the actual expenditures of \$10,486,340, due to an overestimation of appropriations as compared to resources.

Final budget appropriations were \$983,244 higher than original budget appropriations. This variance was caused when the School District increased the appropriations to keep them in line with the additional resources made available from property taxes.

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East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$19,536,134 invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities	
	2015	2014 Restated
Land	\$ 161,329	\$ 161,329
Land Improvements	1,632,708	1,683,711
Buildings and Improvements	17,113,822	17,746,679
Furniture and Equipment	189,250	203,358
Vehicles	439,025	360,597
<i>Totals</i>	<u>\$ 19,536,134</u>	<u>\$ 20,155,674</u>

The \$619,540 decrease in capital assets was attributable to current year depreciation exceeding additional purchases. See Note 9 for more information about the capital assets of the School District.

Debt

At June 30, 2015, the School District had \$1,915,062 in debt outstanding. See Notes 14 and 15 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2015	2014
2004 School Facilities Bond	\$ 0	\$ 120,000
2011 Refunding Bonds	796,695	933,365
2012 House Bill 264 Notes	345,600	374,400
2013 Refunding Bonds	692,000	695,000
Lease Obligations	80,767	114,399
<i>Total</i>	<u>\$ 1,915,062</u>	<u>\$ 2,237,164</u>

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 Matt Reed, Treasurer of East Guernsey Local School District, 237 Beymer Road, Old Washington, Ohio 43768 or email at matt.reed@eguernsey.k12.oh.us.

East Guernsey Local School District
Guernsey County, Ohio
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 7,320,622
Cash and Cash Equivalents with Fiscal Agent	1,076,890
Receivables:	
Intergovernmental	258,901
Property Taxes	4,421,313
Nondepreciable Capital Assets	161,329
Depreciable Capital Assets (Net)	19,374,805
<i>Total Assets</i>	32,613,860
Deferred Outflows of Resources	
Pension	796,463
Liabilities	
Accounts Payable	91,481
Accrued Wages and Benefits	761,982
Intergovernmental Payable	216,601
Accrued Vacation Leave Payable	34,917
Matured Compensated Absences Payable	69,861
Accrued Interest Payable	5,620
Claims Payable	286,318
Long Term Liabilities:	
Due Within One Year	429,697
Due In More Than One Year	
Net Pension Liability (See Note 11)	10,382,072
Other Due In More Than One Year	2,005,823
<i>Total Liabilities</i>	14,284,372
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	2,842,866
Pension	1,866,121
<i>Total Deferred Inflows of Resources</i>	4,708,987
Net Position	
Net Investment in Capital Assets	17,621,072
Restricted For:	
Capital Outlay	865,585
Debt Service	1,077,151
Classroom Facilities Maintenance	79,824
Federal Programs	112,661
Other Purposes	106,111
Unrestricted	(5,445,440)
<i>Total Net Position</i>	\$ 14,416,964

See accompanying notes to the basic financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	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	\$ 5,464,386	\$ 1,050,035	\$ 437,751	\$ (3,976,600)
Special	1,049,116	34,234	792,421	(222,461)
Vocational	256,531	0	49,925	(206,606)
Adult/Continuing	7,629	0	0	(7,629)
Student Intervention Services	207,107	0	0	(207,107)
Support Services:				
Pupils	981,799	18,549	50,398	(912,852)
Instructional Staff	423,085	1,184	142,853	(279,048)
Board of Education	49,986	0	0	(49,986)
Administration	924,145	1,295	106,440	(816,410)
Fiscal	464,897	0	0	(464,897)
Operation and Maintenance of Plant	1,179,392	0	5,857	(1,173,535)
Pupil Transportation	1,204,005	0	3,947	(1,200,058)
Central	72,239	0	0	(72,239)
Operation of Non-Instructional Services:				
Food Service Operations	461,830	110,218	262,267	(89,345)
Extracurricular Activities	364,524	109,591	4,250	(250,683)
Debt Service:				
Interest and Fiscal Charges	71,012	0	0	(71,012)
Total	\$ 13,181,683	\$ 1,325,106	\$ 1,856,109	(10,000,468)

General Revenues

Property Taxes Levied for:	
General Purposes	2,711,285
Debt Service	130,140
Capital Outlay	440,705
Classroom Facilities Maintenance	47,064
Grants and Entitlements Not Restricted to Specific Programs	6,288,249
Investment Earnings	19,978
Miscellaneous	101,620
Total General Revenues	9,739,041
 <i>Change in Net Position</i>	 (261,427)
 <i>Net Position Beginning of Year (Restated - See Note 3)</i>	 <u>14,678,391</u>
<i>Net Position End of Year</i>	<u><u>\$ 14,416,964</u></u>

See accompanying notes to the basic financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Balance Sheet
Governmental Funds
June 30, 2015

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 4,319,855	\$ 1,019,388	\$ 948,172	\$ 1,033,207	\$ 7,320,622
Receivables:					
Interfund	93,793	0	0	0	93,793
Intergovernmental	10,623	0	0	248,278	258,901
Property Taxes	3,615,324	192,786	526,246	86,957	4,421,313
<i>Total Assets</i>	<u>8,039,595</u>	<u>1,212,174</u>	<u>1,474,418</u>	<u>1,368,442</u>	<u>12,094,629</u>
Liabilities					
Accounts Payable	\$ 84,537	\$ 0	\$ 0	\$ 6,944	\$ 91,481
Accrued Wages and Benefits	719,574	0	0	42,408	761,982
Intergovernmental Payable	195,381	0	0	21,220	216,601
Matured Compensated Absences Payable	69,861	0	0	0	69,861
Interfund Payable	0	0	0	93,793	93,793
<i>Total Liabilities</i>	<u>1,069,353</u>	<u>0</u>	<u>0</u>	<u>164,365</u>	<u>1,233,718</u>
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	2,331,560	129,403	317,075	64,828	2,842,866
Unavailable Revenue	519,252	25,805	85,161	108,865	739,083
<i>Total Deferred Inflows of Resources</i>	<u>2,850,812</u>	<u>155,208</u>	<u>402,236</u>	<u>173,693</u>	<u>3,581,949</u>
Fund Balances					
Restricted	0	1,056,966	0	1,062,626	2,119,592
Committed	0	0	1,072,182	0	1,072,182
Assigned	3,841,378	0	0	0	3,841,378
Unassigned	278,052	0	0	(32,242)	245,810
<i>Total Fund Balances</i>	<u>4,119,430</u>	<u>1,056,966</u>	<u>1,072,182</u>	<u>1,030,384</u>	<u>7,278,962</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 8,039,595</u>	<u>\$ 1,212,174</u>	<u>\$ 1,474,418</u>	<u>\$ 1,368,442</u>	<u>\$ 12,094,629</u>

See accompanying notes to the basic financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		\$ 7,278,962
<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.		19,536,134
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 100,054	
Property Taxes	<u>639,029</u>	739,083
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.		790,572
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(5,620)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	796,463	
Deferred Inflows - Pension	(1,866,121)	
Net Pension Liability	<u>(10,382,072)</u>	(11,451,730)
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	(1,477,000)	
Energy Conservation Notes	(345,600)	
Bond Premium	(11,695)	
Capital Lease Obligation	(80,767)	
Vacations Payable	(34,917)	
Compensated Absences	<u>(520,458)</u>	<u>(2,470,437)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 14,416,964</u></u>

See accompanying notes to the basic 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, 2015

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	\$ 2,724,578	\$ 136,171	\$ 443,098	\$ 47,192	\$ 3,351,039
Intergovernmental	6,710,060	19,455	58,243	1,771,652	8,559,410
Investment Income	7,608	0	0	1,601	9,209
Tuition and Fees	1,041,724	0	0	0	1,041,724
Extracurricular Activities	61,521	0	0	67,915	129,436
Rentals	43,850	0	0	0	43,850
Charges for Services	290	0	0	110,218	110,508
Contributions and Donations	32,709	0	0	135,229	167,938
Miscellaneous	41,059	0	0	48,871	89,930
<i>Total Revenues</i>	<u>10,663,399</u>	<u>155,626</u>	<u>501,341</u>	<u>2,182,678</u>	<u>13,503,044</u>
Expenditures					
Current:					
Instruction:					
Regular	4,460,051	0	0	612,480	5,072,531
Special	776,087	0	0	226,933	1,003,020
Vocational	239,920	0	0	0	239,920
Adult Education	7,629	0	0	0	7,629
Student Intervention Services	41,310	0	0	176,786	218,096
Support Services:					
Pupils	886,965	0	0	36,624	923,589
Instructional Staff	262,817	0	0	131,078	393,895
Board of Education	50,358	0	0	0	50,358
Administration	815,616	0	0	90,739	906,355
Fiscal	441,220	4,412	13,558	1,435	460,625
Operation and Maintenance of Plant	1,049,132	0	16,585	88,388	1,154,105
Pupil Transportation	1,018,365	0	177,353	81,800	1,277,518
Central	72,843	0	0	0	72,843
Extracurricular Activities	204,608	0	0	103,132	307,740
Operation of Non-Instructional Services:					
Food Service Operations	0	0	3,784	435,969	439,753
Capital Outlay	0	0	44,333	1,653	45,986
Debt Service:					
Principal Retirement	62,432	258,000	0	0	320,432
Interest and Fiscal Charges	16,547	59,867	0	0	76,414
<i>Total Expenditures</i>	<u>10,405,900</u>	<u>322,279</u>	<u>255,613</u>	<u>1,987,017</u>	<u>12,970,809</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>257,499</u>	<u>(166,653)</u>	<u>245,728</u>	<u>195,661</u>	<u>532,235</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	1,756	0	0	0	1,756
Transfers In	0	0	0	52,282	52,282
Transfers Out	(52,282)	0	0	0	(52,282)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,526)</u>	<u>0</u>	<u>0</u>	<u>52,282</u>	<u>1,756</u>
<i>Net Change in Fund Balance</i>	206,973	(166,653)	245,728	247,943	533,991
<i>Fund Balances Beginning of Year</i>	<u>3,912,457</u>	<u>1,223,619</u>	<u>826,454</u>	<u>782,441</u>	<u>6,744,971</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,119,430</u>	<u>\$ 1,056,966</u>	<u>\$ 1,072,182</u>	<u>\$ 1,030,384</u>	<u>\$ 7,278,962</u>

See accompanying notes to the basic 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, 2015*

Net Change in Fund Balances - Total Governmental Funds	\$	533,991
 <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 additions in the current period.		
Capital Asset Additions	\$ 196,759	
Current Year Depreciation	<u>(816,299)</u>	(619,540)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(21,844)	
Intergovernmental	<u>(574,629)</u>	(596,473)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		320,432
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		699,198
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(448,941)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and 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	3,732	
Amortization of Premium on Bonds	<u>1,670</u>	5,402
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.		
		(53,633)
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	(99,633)	
Vacations Payable	<u>(2,230)</u>	<u>(101,863)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>(261,427)</u></u>

See accompanying notes to the basic 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, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 2,034,577	\$ 2,681,837	\$ 2,681,811	\$ (26)
Intergovernmental	6,499,343	6,682,674	6,630,552	(52,122)
Investment Income	5,789	4,840	6,157	1,317
Tuition and Fees	958,810	918,542	1,019,814	101,272
Extracurricular Activities	448	0	476	476
Rentals	41,227	18,961	43,850	24,889
Charges for Services	273	137	290	153
Contributions and Donations	27,151	14,250	28,878	14,628
Miscellaneous	12,535	7,404	13,332	5,928
<i>Total Revenues</i>	<u>9,580,153</u>	<u>10,328,645</u>	<u>10,425,160</u>	<u>96,515</u>
Expenditures				
Current:				
Instruction:				
Regular	4,166,547	4,656,826	4,413,118	243,708
Special	732,840	822,211	779,188	43,023
Vocational	198,874	223,127	211,452	11,675
Adult/Continuing Education	7,175	8,050	7,629	421
Student Intervention Services	38,853	43,591	41,310	2,281
Support Services:				
Pupils	801,950	885,916	839,559	46,357
Instructional Staff	277,975	301,965	286,164	15,801
Board of Education	87,504	90,825	86,072	4,753
Administration	797,581	874,630	828,864	45,766
Fiscal	438,323	480,737	455,582	25,155
Operation and Maintenance of Plant	1,155,205	1,213,661	1,150,155	63,506
Pupil Transportation	1,110,620	1,163,909	1,103,006	60,903
Central	74,381	81,927	77,640	4,287
Extracurricular Activities	155,390	174,341	165,218	9,123
Debt Service:				
Principal Retirement	27,087	30,390	28,800	1,590
Interest and Fiscal Charges	11,835	13,278	12,583	695
<i>Total Expenditures</i>	<u>10,082,140</u>	<u>11,065,384</u>	<u>10,486,340</u>	<u>579,044</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(501,987)</u>	<u>(736,739)</u>	<u>(61,180)</u>	<u>675,559</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	1,651	954	1,756	802
Refund of Prior Year Expenditures	85,714	61,243	91,167	29,924
Advances In	232,482	240,852	247,273	6,421
Advances Out	(88,214)	(98,972)	(93,793)	5,179
Transfers Out	(49,172)	(55,169)	(52,282)	2,887
<i>Total Other Financing Sources (Uses)</i>	<u>182,461</u>	<u>148,908</u>	<u>194,121</u>	<u>45,213</u>
<i>Net Change in Fund Balance</i>	(319,526)	(587,831)	132,941	720,772
<i>Fund Balance Beginning of Year</i>	3,408,816	3,408,816	3,408,816	0
Prior Year Encumbrances Appropriated	219,525	219,525	219,525	0
<i>Fund Balance End of Year</i>	<u>\$ 3,308,815</u>	<u>\$ 3,040,510</u>	<u>\$ 3,761,282</u>	<u>\$ 720,772</u>

See accompanying notes to the basic financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2015

	Governmental Activities - Internal Service Fund
Assets	
<i>Current Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	\$ 1,076,890
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	286,318
Net Position	
Unrestricted	\$ 790,572

See accompanying notes to the basic 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, 2015

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 2,290,460
Operating Expenses	
Fringe Benefits	24,380
Purchased Services	522,712
Claims	1,793,416
Other	15,514
<i>Total Operating Expenses</i>	<i>2,356,022</i>
<i>Operating Loss</i>	<i>(65,562)</i>
Non-Operating Revenues	
Interest	11,929
<i>Change in Net Position</i>	<i>(53,633)</i>
<i>Net Position Beginning of Year</i>	<i>844,205</i>
<i>Net Position End of Year</i>	<i>\$ 790,572</i>

See accompanying notes to the basic financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 2,290,460
Cash Paid for Goods and Services	(522,712)
Cash Paid for Employee Benefits	(24,380)
Cash Paid for Claims	(1,711,980)
Other Cash Payments	(15,514)
<i>Net Cash Provided By Operating Activities</i>	<u>15,874</u>
 Cash Flows From Investing Activities	
Interest on Investments	<u>11,929</u>
 <i>Net Increase in Cash and Cash Equivalents</i>	27,803
 <i>Cash and Cash Equivalents, Beginning of Year</i>	<u>1,049,087</u>
 <i>Cash and Cash Equivalents, End of Year</i>	<u>\$ 1,076,890</u>
 Reconciliation of Operating Loss to Net Cash Provided By Operating Activities	
Operating Loss	\$ (65,562)
Adjustments:	
Increase in Liabilities:	
Claims Payable	81,436
<i>Net Cash Provided By Operating Activities</i>	<u>\$ 15,874</u>

See accompanying notes to the basic financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 68,576	\$ 31,544
Liabilities		
Due to Students	0	\$ 31,544
Net Position		
Held in Trust for Scholarships	\$ 68,576	

See accompanying notes to the basic financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 2,950
Investment Earnings	193
<i>Total Additions</i>	3,143
<i>Change in Net Position</i>	3,143
<i>Net Position Beginning of Year</i>	65,433
<i>Net Position End of Year</i>	\$ 68,576

See accompanying notes 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, 2015

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 percent of Guernsey County.

The East Guernsey Local School District operates under a locally elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. The School Board controls the School District’s two instructional/support facilities, which 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 East Guernsey Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

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

The School District participates in the Mid East Career and Technology Center, the Ohio Mid-Eastern Regional Educational Service Agency, 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, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Guernsey Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for 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 fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of 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.

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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 deferred outflows of resources and liabilities and deferred inflows of resources 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.

Permanent Improvement Fund The permanent improvement fund accounts for financial resources to be used for the acquisitions, construction, or improvement of major capital facilities.

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 deferred outflows of resources and all liabilities and deferred inflows of resources 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.

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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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 deferred outflows of resources and liabilities and deferred inflows of resources 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 and is excluded from the governmental activities. All assets and liabilities associated with the operation of this fund are included on the statement of fiduciary net position. The statement of changes in fiduciary net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Agency funds do not report a measurement focus as they do not report operations.

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 outflows/inflows of resources, 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.

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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 Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11).

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During fiscal year 2015, 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, 2015.

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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 2015 amounted to \$7,608 which includes \$3,762 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.

F. 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 five 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 Improvements	15 - 50 Years
Buildings and Improvements	5 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	6 - 15 Years

G. 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.

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H. Compensated Absences

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

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

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

I. 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 capital leases are recognized as a liability on the governmental fund financial statements when due.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

K. Bond Discounts and Premiums

Bond premiums and bond discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

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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.

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.

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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.

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 deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2015, there was no net position restricted by enabling legislation.

The School District applies restricted resources first 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 2015.

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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.

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 level for all 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 fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary 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 fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

A. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

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GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

B. Restatement of Net Position

The School District hired a firm to conduct an appraisal of its capital assets. The re-valuation and implementation of GASB Statements No. 68 and 71 had the following effect on net position as previously reported:

	Governmental Activities
Net Position June 30, 2014	\$ 26,767,480
Asset Valuation - Depreciable Capital Assets	(1,045,835)
Asset Valuation - Accumulated Depreciation	658,733
Subtotal	26,380,378
GASB 68/71 Adjustments:	
Net Pension Liability	(12,328,141)
Deferred Outflow - Payments Subsequent to Measurement Date	626,154
Restated Net Position, July 1, 2014	\$ 14,678,391

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

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	\$ 206,973
Net Adjustment for Revenue Accruals	198,130
Net Adjustment for Expenditure Accruals	151,616
Funds Budgeted Elsewhere **	10,209
Adjustment for Encumbrances	<u>(433,987)</u>
Budget Basis	<u>\$ 132,941</u>

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies, public school support and community education funds.

NOTE 5 – DEPOSITS AND INVESTMENTS

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.

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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;
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);
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, 2015, the School District's internal service fund had a balance of \$1,076,890 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, 2023 Sunset Blvd., Steubenville, Ohio 43952.

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Deposits

At fiscal year-end, the carrying amount of the School District's deposits was \$6,271,987 which includes \$150 petty cash. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, \$5,517,616 of the School District's bank balance of \$6,532,146 was exposed to custodial risk as discussed below, while \$1,014,530 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$704,216 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.

Investments

Investments are reported at fair value. As of June 30, 2015 the School District had the following investment:

Standard & Poor's Rating	Entity	Fair Value	Investment Maturities in months (0-6)	Percentage of Total Investment
AAAm	STAR Ohio	\$ 1,148,755	\$ 1,148,755	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, 2015, is 53 days.

Credit Risk The School District's investments at June 30, 2015 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, 2015.

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Guernsey County, Ohio
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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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 in the general, debt service, permanent improvement and classroom facilities maintenance funds was \$764,512, \$35,578, \$124,010 and \$13,318, respectively. The amount available for advance at June 30, 2014, in the general, debt service, permanent improvement and classroom facilities maintenance funds was \$721,745, \$42,533, \$116,966 and \$12,573, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations 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 inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

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The assessed values upon which fiscal year 2015 taxes were collected were:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 119,661,810	91%	\$ 135,225,790	92%
Public Utility Personal Property	11,211,650	9%	11,893,820	8%
Total	\$ 130,873,460	100%	\$ 147,119,610	100%
Full Tax Rate per \$1,000 of assessed valuation	\$ 28.30		\$ 28.10	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015, consisted of property taxes, intergovernmental and interfund. All receivables, except property taxes, 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. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

NOTE 8 – INTERFUND ACTIVITY

A. Interfund Balances

Interfund balances at June 30, 2015, consist of the following interfund receivables and payables:

	Interfund Receivable	Interfund Payable
General	\$ 93,793	\$ 0
Other Governmental:	0	
Part B IDEA	0	45,122
Title I	0	48,671
	\$ 93,793	\$ 93,793

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30, 2015. The outstanding advances are expected to be repaid once the anticipated revenues are received.

B. Interfund Transfers

During fiscal year 2015, the general fund transferred \$52,282 to the food service fund to provide additional resources for current operations.

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NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Restated Balance 06/30/2014	Additions	Reductions	Balance 6/30/2015
Governmental Activities				
<i>Capital Assets, not Being Depreciated</i>				
Land	\$ 161,329	\$ 0	\$ 0	\$ 161,329
 <i>Capital Assets, Being Depreciated</i>				
Land Improvements	2,185,347	0	0	2,185,347
Buildings and Improvements	26,095,534	0	0	26,095,534
Furniture and Equipment	474,484	26,269	0	500,753
Vehicles	1,539,018	170,490	0	1,709,508
Total Capital Assets, Being Depreciated	30,294,383	196,759	0	30,491,142
 Less: Accumulated Depreciation				
Land Improvements	(501,636)	(51,003)	0	(552,639)
Buildings and Improvements	(8,348,855)	(632,857)	0	(8,981,712)
Furniture and Equipment	(271,126)	(40,377)	0	(311,503)
Vehicles	(1,178,421)	(92,062)	0	(1,270,483)
Total Accumulated Depreciation	(10,300,038)	(816,299) *	0	(11,116,337)
Total Capital Assets Being Depreciated, Net	19,994,345	(619,540)	0	19,374,805
Governmental Activities Capital Assets, Net	\$ 20,155,674	\$ (619,540)	\$ 0	\$ 19,536,134

* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 410,951
Special	101,939
Vocational	15,852
Support Services:	
Pupil	46,596
Instructional Staff	32,761
Administration	21,322
Fiscal	2,081
Operation and Maintenance of Plant	10,288
Pupil Transportation	90,637
Operation of Non-Instructional Services	21,972
Extracurricular Activities	61,900
Total Depreciation	\$ 816,299

East Guernsey Local School District
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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 2015, 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 2015, 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 Comp Management 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.

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 2015, the School District paid monthly premiums of \$2,038 for family coverage (full rate \$2,134) and \$852 for individual coverage (full rate \$893). Monthly premiums for dental coverage were \$71 for family and \$28 for single coverage, paid in full by the Board. Usually, premiums are charged to the same fund(s) that pay the employees' salaries. However, if state and/or federal program grant funding is not sufficient to cover those costs, the general fund will pay the difference, or the full amount if necessary.

The claims liability of \$286,318 reported in the internal service fund at June 30, 2015 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.

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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
2014	\$	190,490	\$ 1,527,887	\$ 1,513,495	\$ 204,882
2015	\$	204,882	\$ 1,793,416	\$ 1,711,980	\$ 286,318

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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For the Fiscal Year Ended June 30, 2015

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$201,351 for fiscal year 2015. Of this amount \$67,580 is reported as an intergovernmental payable.

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Notes to the Basic Financial Statements
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Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$497,847 for fiscal year 2015. Of this amount \$87,709 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 7,976,808	\$ 2,405,264	\$ 10,382,072
Proportion of the Net Pension Liability	0.03279471%	0.04752600%	
Pension Expense	\$ 308,119	\$ 140,822	\$ 448,941

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 76,794	\$ 20,471	\$ 97,265
School District contributions subsequent to the measurement date	497,847	201,351	699,198
Total Deferred Outflows of Resources	<u>\$ 574,641</u>	<u>\$ 221,822</u>	<u>\$ 796,463</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	<u>\$ 1,475,740</u>	<u>\$ 390,381</u>	<u>\$ 1,866,121</u>
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\$699,198 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	STRS	SERS	Total
Fiscal Year Ending June 30:			
2016	\$ (349,737)	\$ (92,478)	\$ (442,215)
2017	(349,737)	(92,478)	(442,215)
2018	(349,737)	(92,478)	(442,215)
2019	(349,735)	(92,476)	(442,211)
Total	\$ (1,398,946)	\$ (369,910)	\$ (1,768,856)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 3,431,597	\$ 2,405,264	\$ 1,542,029

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Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 11,419,671	\$ 7,976,808	\$ 5,065,305

Note 12 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

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Guernsey County, Ohio
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The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$36,251, \$24,737 and \$24,884, respectively. For fiscal year 2015, 68 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$33,407, and \$36,917, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

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 per month for family coverage, \$9 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
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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 2015 were \$33,632.

Future minimum lease payments through 2018 are as follows:

			Governmental Activities
			<u>Capital Lease</u>
Year ending June 30,	2016	\$	37,596
	2017		37,596
	2018		<u>9,399</u>
Minimum lease payments			84,591
Less: amount representing interest at the			
School District's incremental borrowing rate of interest			<u>3,824</u>
Present value of net minimum lease payments		\$	<u><u>80,767</u></u>

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East Guernsey Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 15 - LONG TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Restated Outstanding 6/30/2014	Additions	Reductions	Outstanding 6/30/2015	Amounts Due in One Year
Governmental Activities:					
<i>2004 School Facilities and Improvement Bonds</i>					
Serial/Term Bonds, \$1,730,405 @ 2.25% - 5.25%	\$ 120,000	\$ 0	\$ (120,000)	\$ 0	\$ 0
<i>2011 Refunding Bonds</i>					
Serial Bonds, \$1,520,000 @ 2.0% - 4.0%	920,000	0	(135,000)	785,000	135,000
Premium, \$18,375	13,365	0	(1,670)	11,695	0
<i>2013 Refunding Bonds</i>					
Serial Bonds, \$695,000 @ 5.25% - 5.0%	695,000	0	(3,000)	692,000	127,000
<i>Total Refunding Bonds</i>	<u>1,628,365</u>	<u>0</u>	<u>(139,670)</u>	<u>1,488,695</u>	<u>262,000</u>
<i>2012 Energy Conservation Notes</i>					
Series 2012, \$432,000 @ 3.5%	374,400	0	(28,800)	345,600	28,800
<i>Net Pension Liability</i>					
STRS	9,501,922	0	(1,525,114)	7,976,808	0
SERS	2,826,219	0	(420,955)	2,405,264	0
<i>Total Net Pension Liability</i>	<u>12,328,141</u>	<u>0</u>	<u>(1,946,069)</u>	<u>10,382,072</u>	<u>0</u>
Capital Leases Payable	114,399	0	(33,632)	80,767	35,002
Compensated Absences	420,825	169,495	(69,862)	520,458	103,895
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 14,986,130</u>	<u>\$ 169,495</u>	<u>\$ (2,338,033)</u>	<u>\$ 12,817,592</u>	<u>\$ 429,697</u>

Capital leases will be paid from the general fund. Compensated absences will be paid from the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

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. The bonds were retired from the debt service fund from the proceeds of a bond issue tax levy. These bonds were partially refunded in fiscal year 2014 and paid in full during fiscal year 2015.

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.

East Guernsey Local School District
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For the Fiscal Year Ended June 30, 2015

The bonds were issued at a premium of \$18,375, which is reported as an increase to bonds payable. This premium is being amortized to interest expense over the life of the bonds using the straight-line method. The amount amortized in fiscal year 2015 was \$1,670. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$566,176 and 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.

2013 Refunding Bonds - On December 18, 2013 the School District issued \$695,000 in refunded general obligation bonds (the 2013 bonds) which included serial bonds to refund the 2004 Bonds. The bonds were issued to partially refund outstanding 2004 School Facilities and Improvement Bonds. The bonds were issued for a five year period with a final maturity at December 1, 2019. At the date of refunding, \$729,984 (including premium and other issuance costs), was received to pay off old debt. As a result, \$695,000 of the 2004 Bonds are considered to be defeased. The liability of the bonds was removed from the financial statements at the time of the refunding. The advance refunding reduced cash flows required for debt service by \$21,757 over the next five years and resulted in an economic gain of \$21,757. As of June 30, 2015 the \$695,000 of the defeased bonds were outstanding. The bonds are being retired from the debt service fund from the proceeds of a bond issue tax levy.

The bonds were issued at a premium of \$52,827 with issuance costs of \$17,843. The premium and issuance costs were recognized at the time of issuance.

Principal and interest requirements to retire the refunding bonds at June 30, 2015 are as follows:

Fiscal Year	Principal	Interest
2016	\$ 262,000	\$ 51,903
2017	271,000	42,678
2018	174,000	34,356
2019	178,000	27,155
2020	187,000	11,751
2021-2022	405,000	23,900
	\$ 1,477,000	\$ 191,743

2012 Energy Conservation Notes - On March 21, 2012, the School District issued \$432,000 in energy conservation notes (the 2012 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, 2025.

East Guernsey Local School District
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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 percent 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 percent 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, 2015 are as follows:

Fiscal Year	<u>Principal</u>	<u>Interest</u>
2016	\$ 28,800	\$ 11,592
2017	28,800	10,584
2018	28,800	9,576
2019	28,800	8,568
2020	28,800	7,560
2021-2025	144,000	23,688
2026	<u>57,600</u>	<u>1,008</u>
	<u>\$ 345,600</u>	<u>\$ 72,576</u>

The School District's overall legal debt margin was \$12,475,131, with an unvoted debt margin of \$147,120 at June 30, 2015.

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 2015, 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 - The Ohio Mid-Eastern Regional Education Service Agency (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 2015, the total amount paid to OME-RESA from the School District for services provided was \$44,829. 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.

East Guernsey Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 2015 was \$413. Financial information may be obtained from the Metropolitan Educational Council, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio 43232.

Educational Regional Service System Region 12 - The School District participates in the Educational Regional Service System Region 12 (ERSS), a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts.

The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio 43701.

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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

B. Risk Sharing, Claims Servicing and Insurance Purchasing Pool

Jefferson Health Plan - The School District participates in the Jefferson Health Plan (the Plan) self-insurance plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of eighty-four members, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance and vision insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit, which can range from \$35,000 to \$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 Met Life, and allows for the purchase of vision insurance through Vision Service Plan.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 18 - SET-ASIDE CALCULATIONS

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 fiscal 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, 2014	\$ 0
Current Year Set-aside Requirement	184,992
Current Year Offsets	(546,600)
Totals	\$ (361,608)
Balance Carried Forward to Fiscal Year 2016	\$ 0
Set-aside Restricted Balance as of June 30, 2015	\$ 0

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 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 AND COMMITMENTS

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, 2015, 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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

C. Leases

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. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

E. 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	\$ 341,330
Permanent Improvement	28,255
Nonmajor Governmental	<u>60,831</u>
	<u>\$ 430,416</u>

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.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total
Restricted for:					
Debt Service	\$ 0	\$ 1,056,966	\$ 0	\$ 0	\$ 1,056,966
Capital Outlay	0	0	0	865,585	865,585
Facilities Maintenance	0	0	0	71,013	71,013
Miscellaneous Local Programs	0	0	0	58,013	58,013
Miscellaneous State Programs	0	0	0	48,098	48,098
Miscellaneous Federal Programs	0	0	0	19,917	19,917
Total Restricted	0	1,056,966	0	1,062,626	2,119,592
Committed for:					
Capital Outlay	0	0	1,072,182	0	1,072,182
Assigned for:					
Encumbrances:					
Instruction	94,065	0	0	0	94,065
Support Services	246,948	0	0	0	246,948
Extracurricular	317	0	0	0	317
Subsequent Year Appropriations	3,500,048	0	0	0	3,500,048
Total Assigned	3,841,378	0	0	0	3,841,378
Unassigned	278,052	0	0	(32,242)	245,810
Total Fund Balance (Deficit)	\$ 4,119,430	\$ 1,056,966	\$ 1,072,182	\$ 1,030,384	\$ 7,278,962

Deficit Fund Balance

Fund balances at June 30, 2015 included the following individual fund deficits:

Non-major Special Revenue Funds:

Food Service	\$ 24,932
IDEA, Part B	7,310

The deficits in these funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the non-major governmental funds and will provide transfers when cash is required, not when accruals occur.

East Guernsey Local School District
Guernsey County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>		
School District's proportion of the net pension liability	0.03279471%	0.03279471%
School District's proportionate share of the net pension liability	\$ 7,976,808	\$ 9,501,922
School District's covered-employee payroll	\$ 3,340,669	\$ 3,691,669
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.78%	257.39%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
 <i>School Employees Retirement System (SERS)</i>		
School District's proportion of the net pension liability	0.04752600%	0.04752600%
School District's proportionate share of the net pension liability	\$ 2,405,264	\$ 2,826,219
School District's covered-employee payroll	\$ 1,384,322	\$ 1,302,486
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.75%	216.99%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

East Guernsey Local School District
Guernsey County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 497,847	\$ 434,287	\$ 479,917	\$ 518,262
Contributions in Relation to the Contractually Required Contribution	<u>(497,847)</u>	<u>(434,287)</u>	<u>(479,917)</u>	<u>(518,262)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 3,556,050	\$ 3,340,669	\$ 3,691,669	\$ 3,986,631
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
 <i>School Employees Retirement System (SERS)</i>				
Contractually required contribution	\$ 201,351	\$ 191,867	\$ 180,264	\$ 140,067
Contributions in relation to the contractually required contribution	<u>(201,351)</u>	<u>(191,867)</u>	<u>(180,264)</u>	<u>(140,067)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 1,527,701	\$ 1,384,322	\$ 1,302,486	\$ 1,041,390
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 576,021	\$ 587,717	\$ 587,972	\$ 569,270	\$ 577,342	\$ 652,508
<u>(576,021)</u>	<u>(587,717)</u>	<u>(587,972)</u>	<u>(569,270)</u>	<u>(577,342)</u>	<u>(652,508)</u>
<u>\$ 0</u>					
\$ 4,430,931	\$ 4,520,900	\$ 4,522,862	\$ 4,379,000	\$ 4,441,092	\$ 5,019,292
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 164,402	\$ 238,522	\$ 139,109	\$ 146,491	n/a	n/a
<u>(164,402)</u>	<u>(238,522)</u>	<u>(139,109)</u>	<u>(146,491)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 1,307,892	\$ 1,761,610	\$ 1,413,709	\$ 1,491,762	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

March 14, 2016

To the Board of Education
East Guernsey Local School District
Guernsey County, Ohio
237 Beymer Road, P.O. Box 128
Old Washington, OH 43768

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2015, 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 March 14, 2016, in which we noted the School District restated the net position balance to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* and to account for a re-valuation of capital assets.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hea & Associates, Inc.

New Philadelphia, Ohio

March 14, 2016

To the Board of Education
East Guernsey Local School District
Guernsey County, Ohio
237 Beymer Road, P.O. Box 128
Old Washington, OH 43768

**Independent Auditor's Report on Compliance for Each Major Federal Program; and
Report on Internal Control over Compliance Required by OMB Circular A-133**

Report on Compliance for Each Major Federal Program

We have audited East Guernsey Local School District's, Guernsey County, Ohio (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on the major federal program is not modified with respect to these matters.

The School District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

East Guernsey Local School District
Independent Auditor's Report on Compliance for Each Major Federal Program; and
Report on Internal Control over Compliance Required by OMB Circular A-133
Page 3 of 3

The School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

New Philadelphia, Ohio

East Guernsey Local School District
Guernsey County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass Through Grantor Program Title	Grant Year/ Direct Award No.	CFDA Number	Federal Receipts	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2014	84.010	\$ 241,475	\$ 138,095
Title I Grants to Local Educational Agencies	2015	84.010	404,535	453,206
Total Title I			<u>646,010</u>	<u>591,301</u>
<i>Special Education Cluster:</i>				
Special Education - Grants to States	2014	84.027	108,124	108,124
Special Education - Grants to States	2015	84.027	147,337	192,459
Total Special Education - Grants to States			<u>255,461</u>	<u>300,583</u>
Early Childhood Special Education	2015	84.173	10,473	10,473
Total Special Education Cluster			265,934	311,056
Title II-A - Improving Teacher Quality	2014	84.367	19,608	5,085
Title II-A - Improving Teacher Quality	2015	84.367	55,171	55,158
Total Title II-A			<u>74,779</u>	<u>60,243</u>
Rural Education	2014	84.358	9,521	9,521
Rural Education	2015	84.358	16,569	16,569
Total Rural Education			<u>26,090</u>	<u>26,090</u>
Total U.S. Department of Education			<u>1,012,813</u>	<u>988,690</u>
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	2015	10.555	22,319	22,319
<i>Cash Assistance:</i>				
School Breakfast Program	2015	10.553	84,278	84,278
National School Lunch Program	2015	10.555	178,264	178,264
Cash Assistance Subtotal			<u>262,542</u>	<u>262,542</u>
Total Child Nutrition Cluster			<u>284,861</u>	<u>284,861</u>
National School Lunch Program - Equipment Grant	2015	10.579	21,263	21,263
Total U.S. Department of Agriculture			<u>306,124</u>	<u>306,124</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,318,937</u>	<u>\$ 1,294,814</u>

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) reports the federal award programs’ receipts and disbursements. The Schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

Note B – Commingled Funds

Federal money is commingled with state subsidy reimbursements for the Child Nutrition Cluster. It is assumed federal moneys are expended first.

Note C – Food Donation Program

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

Note D – Ohio Bureau of Workers’ Compensation Rebate

Ohio’s workers’ compensation system serves as an insurance program for both employers and employees alike. For those who contribute premiums, the Ohio Bureau of Workers’ Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In September 2014, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio’s workers’ compensation system. Each employer’s rebate reflected 60% of what they were billed during the last policy period (2012 calendar year for public-taxing districts). Using policy year 2012 as the base year for calculation, the School District allocated its BWC rebate back to all funds, including Federal funds, providing the source of initial premium payments to the BWC. The subsequent expenditure of the rebate attributable to Federal programs is reflected on the School District’s Schedule as a negative expenditure.

Note E – Transfers

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a district can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year’s activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2015, the Ohio Department of Education (ODE) authorized the following transfers:

<u>CFDA #</u>	<u>Grant Title</u>	<u>Grant Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.367	Special Education – Grants to States	2014	\$ 2,398	
84.367	Special Education – Grants to States	2015		\$ 2,398

East Guernsey Local School District
Guernsey County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	Yes
(d) (1) (vii)	Major Programs (list): Title I	CFDA # 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None

East Guernsey Local School District
Guernsey County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
For the Fiscal Year Ended June 30, 2015
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Significant Deficiency/Noncompliance-Allowable Costs

Finding Number: 2015-001

Federal Program and CFDA Number: Title I: 84.010
Federal Award Number/Program Year: 2015
Federal Agency: U.S. Department of Education
Pass Through Entity: Ohio Department of Education

Criteria:

OMB Circular A-133 Section .500 (c) states the auditor shall perform procedures to obtain an understanding of internal control over federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs.

Federal Regulations (Appendix A to 2 CFR 225 (C)(1)(d)) includes the following requirement: to be allowable under Federal awards, costs must meet the following criteria "Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items."

Condition:

During testing of nonpayroll expenditures, we noted two disbursements related to travel were charged to the federal grant rather than the proper state grant.

Cause:

There were payments made for professional development related to a state grant that were charged to the Title I fund. The School District's internal controls related to the review and approval of the respective expenditures failed to prevent or detect the disbursements being charged to the wrong fund.

Effect:

In our testing we identified known questioned costs of \$252. Projected questioned costs are less than \$900.

Recommendation:

We recommend the School District implement procedures to ensure disbursements are for allowable purposes prior to disbursement. Management should implement steps for review and approval of all grant related disbursements.

School District's Response:

Professional development expenditures, as well as all other grant expenditures, will be closely monitored to ensure they are being coded to the proper fund, function, and object.

East Guernsey Local School District
Guernsey County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
For the Fiscal Year Ended June 30, 2015
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (continued)
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Significant Deficiency/Noncompliance-Cash Management

Finding Number: 2015-002

Federal Program and CFDA Number: Title I: 84.010
Federal Award Number/Program Year: 2015
Federal Agency: U.S. Department of Education
Pass Through Entity: Ohio Department of Education

Criteria:

34 CFR 80.20 (b)(7) states in part: “When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.” The Ohio Department of Education (“ODE”) subsequently stated local agencies must have an internal control system in place to ensure advance Title I payments are spent timely (i.e., within 5 days of receipt).

Condition:

While testing cash management and the related project cash request forms, we noted one grant drawdown was not fully disbursed within 5 days of receipt.

Cause:

The School District did not have adequate internal controls in place to properly monitor expenditures and ensure timely disbursement.

Effect:

Failing to adequately monitor the drawdown and subsequent disbursement of funds could result in excess cash balances and noncompliance with cash management requirements.

Recommendation:

We recommend the School District establish procedures to ensure draws are disbursed in a timely manner and in accordance with ODE requirements.

School District’s Response:

Due to the uncertainty in predicting expenditures, other than payroll and fringe benefits, and whether encumbered monies will be invoiced on a timely manner and able to be charged within this 5 day window, the District will operate their grant draw down process on a reimbursement basis. While the District understands that this could, and most likely will, create negative fund balances at month end for these grants, this approach will also eliminate the possibility of future cash management issues.

**East Guernsey Local School District
 Guernsey County, Ohio
 Schedule of Prior Audit Findings
 For the Fiscal Year Ended June 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2014-001	Significant Deficiency – self-insurance financial reporting	Yes	



Dave Yost • Auditor of State

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
MAY 24, 2016**