



**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Eastern Local School District  
Meigs County  
50008 State Route 681  
Reedsville, Ohio 45772

To the Board of Education:

We have audited the accompanying financial statements of the Eastern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2000. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-02-1 (now Ohio Administrative Code Section 117-2-03(B)) requires the School District to file its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the School District prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of the Eastern Local School District, Meigs County, as of June 30, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management and the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

October 27, 2000

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**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND  
CASH BALANCES - ALL FUND TYPES  
AS OF JUNE 30, 2000**

Cash	\$ 355,334
Investments	
StarOhio	<u>2,005,813</u>
<b>Total</b>	<b><u>\$ 2,361,147</u></b>

**CASH BALANCES BY FUND TYPE**

<b>Governmental Funds:</b>	
General Fund	\$ 1,361,423
Special Revenue Funds	138,652
Debt Service Fund	118,585
Capital Projects Funds	202,026
<b>Proprietary Funds:</b>	
Enterprise Funds	10,292
Internal Service Fund	510,230
<b>Fiduciary Funds:</b>	
Agency Funds	<u>19,939</u>
<b>Total</b>	<b><u>\$ 2,361,147</u></b>

*The notes to the financial statements are an integral part of this statement.*



**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Receipts:</b>					
Receipts from Local Sources					
Taxes	\$ 687,189	\$ 17,887	\$ 136,006	\$	\$ 841,082
Tuition	272				272
Earnings on Investment	115,175	157		9,198	124,530
Extracurricular Activities		79,672			79,672
Classroom Material & Fees	7,943				7,943
Miscellaneous	41,727	7,844			49,571
Receipts from Intermediate Sources					
Unrestricted Grants-In-Aid		730			730
Restricted Grants-In-Aid	500	21,274			21,774
Receipts from State Sources					
Unrestricted Grants-In-Aid	3,332,577	32,488	14,925	8,000	3,387,990
Restricted Grants-In-Aid	58,317	179,708		1,000	239,025
Receipts from Federal Sources					
Restricted Grants-In-Aid		274,614		79,641	354,255
<b>Total Receipts</b>	<u>4,243,700</u>	<u>614,374</u>	<u>150,931</u>	<u>97,839</u>	<u>5,106,844</u>
<b>Disbursements:</b>					
Instruction:					
Regular	1,753,256	156,481		408	1,910,145
Special	282,625	236,212			518,837
Vocational Education	44,177				44,177
Other Instruction	160				160
Supporting Services:					
Pupils	175,675	41,210			216,885
Instructional Staff	46,891	60,617		5,431	112,939
Board of Education	12,253				12,253
Administration	432,857	470			433,327
Fiscal Services	170,772	3,686	4,212		178,670
Operation and Maintenance - Plant	429,002	286		851	430,139
Pupil Transportation	436,064				436,064
Central	64,587	33,600			98,187
Operation of Noninstructional Services:					
Food Services Operations	17,656	1,011			18,667
Extracurricular Activities:					
Academic and Subject Oriented Activities	10,868	1,235			12,103
Sports Oriented	40,602	46,640		6,108	93,350
Co-Curricular Activities	4,476				4,476
Facilities Acquisition and Construction Services:					
Site Improvement	25,733				25,733
Architecture and Engineering				3,218	3,218
Building Acquisition and Construction	303,422			(2,916)	300,506
Building Improvement	51,387	26,421		1,862	79,670
Other Facilities Acquisition and Construction	29,935			70,500	100,435
Debt Service:					
Repayment of Debt			146,114		146,114
<b>Total Disbursements</b>	<u>4,332,398</u>	<u>607,869</u>	<u>150,326</u>	<u>85,462</u>	<u>5,176,055</u>
Excess of Receipts Over/(Under) Disbursements	<u>(88,698)</u>	<u>6,505</u>	<u>605</u>	<u>12,377</u>	<u>(69,211)</u>
<b>Other Financing Sources/(Uses):</b>					
Sale and Loss of Assets	56,226				56,226
Transfers-In		30,392			30,392
Advances-In	131,971	64,199			196,170
Refund of Prior Year Receipts		(2,157)		(15,896)	(18,053)
Transfers-Out	(20,341)	(11,551)			(31,892)
Advances-Out	(64,199)	(81,014)		(50,957)	(196,170)
<b>Total Other Financing Sources/(Uses)</b>	<u>103,657</u>	<u>(131)</u>		<u>(66,853)</u>	<u>36,673</u>
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing (Uses)	14,959	6,374	605	(54,476)	(32,538)
Fund Cash Balances, July 1, 1999	<u>1,346,464</u>	<u>132,278</u>	<u>117,980</u>	<u>256,502</u>	<u>1,853,224</u>
<b>Fund Cash Balances, June 30, 2000</b>	<u>\$ 1,361,423</u>	<u>\$ 138,652</u>	<u>\$ 118,585</u>	<u>\$ 202,026</u>	<u>\$ 1,820,686</u>

The notes to the financial statements are an integral part of this statement.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Receipts:</b>				
Food Service	\$ 126,863	\$	\$	\$ 126,863
Extracurricular Activities	2,401		49,308	51,709
Classroom Materials and Fees	2,262			2,262
Total Operating Receipts	<u>131,526</u>		<u>49,308</u>	<u>180,834</u>
<b>Operating Disbursements:</b>				
Personal Services - Salaries	77,119			77,119
Employees' Retirement and Insurance	65,899			65,899
Purchased Services	955	590,307	27,315	618,577
Supplies and Materials	152,015		24,429	176,444
Capital Outlay	80			80
Capital Outlay - Replacement			49	49
Other	422		1,475	1,897
Total Operating Disbursements	<u>296,490</u>	<u>590,307</u>	<u>53,268</u>	<u>940,065</u>
Operating Income/(Loss)	<u>(164,964)</u>	<u>(590,307)</u>	<u>(3,960)</u>	<u>(759,231)</u>
<b>Nonoperating Receipts/(Disbursements):</b>				
Earnings on Investments	1,155			1,155
Miscellaneous		725,881	3,160	729,041
State Unrestricted Grants-In-Aid	9,357			9,357
Federal Unrestricted Grants-In-Aid	134,375			134,375
Total Nonoperating Receipts/(Disbursements)	<u>144,887</u>	<u>725,881</u>	<u>3,160</u>	<u>873,928</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	(20,077)	135,574	(800)	114,697
Transfers-In	1,500		916	2,416
Transfers-Out			(916)	(916)
Net Income/(Loss)	(18,577)	135,574	(800)	116,197
Fund Cash Balances, July 1, 1999	<u>28,869</u>	<u>374,656</u>	<u>20,739</u>	<u>424,264</u>
<b>Fund Cash Balances, June 30, 2000</b>	<b><u>\$ 10,292</u></b>	<b><u>\$ 510,230</u></b>	<b><u>\$ 19,939</u></b>	<b><u>\$ 540,461</u></b>

*The notes to the financial statements are an integral part of this statement.*

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL -  
ALL BUDGETED FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental</b>			
General	\$ 4,415,705	\$ 4,431,897	\$ 16,192
Special Revenue	819,207	708,965	(110,242)
Debt Service	150,305	150,931	626
Capital Projects	98,641	97,839	(802)
<b>Proprietary</b>			
Enterprise	281,783	277,913	(3,870)
Internal Service	665,064	725,881	60,817
<b>Fiduciary</b>			
Agency	<u>53,241</u>	<u>53,384</u>	<u>143</u>
<b>Totals (Memorandum Only)</b>	<b><u>\$ 6,483,946</u></b>	<b><u>\$ 6,446,810</u></b>	<b><u>\$ (37,136)</u></b>

*The notes to the financial statements are an integral part of this statement.*

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY - ALL BUDGETED FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
<b>Governmental</b>			
General	\$ 445,610	\$ 4,720,126	\$ 5,165,736
Special Revenue	12,850	848,964	861,814
Debt Service		151,364	151,364
Capital Projects	74,269	93,683	167,952
<b>Proprietary</b>			
Enterprise	10,465	291,420	301,885
Internal Service		615,500	615,500
<b>Fiduciary</b>			
Agency	<u>1,304</u>	<u>56,290</u>	<u>57,594</u>
<b>Totals (Memorandum Only)</b>	<b><u>\$ 544,498</u></b>	<b><u>\$ 6,777,347</u></b>	<b><u>\$ 7,321,845</u></b>

*The notes to the financial statements are an integral part of this statement.*

<u>Disbursements</u>	<u>Encumbrances Outstanding 6/30/00</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 4,416,938	\$ 256,506	\$ 4,673,444	\$ 492,292
702,591	16,061	718,652	143,162
150,326		150,326	1,038
152,315	8,951	161,266	6,686
296,490	803	297,293	4,592
590,307		590,307	25,193
<u>54,184</u>	<u>1,090</u>	<u>55,274</u>	<u>2,320</u>
<u><b>\$ 6,363,151</b></u>	<u><b>\$ 283,411</b></u>	<u><b>\$ 6,646,562</b></u>	<u><b>\$ 675,283</b></u>

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**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000**

**1. DESCRIPTION OF THE ENTITY**

The Eastern Local School District, Meigs County, Ohio (the School District), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local school district as defined by Ohio Revised Code Section 3311.03. The School District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the School District.

Average daily membership (ADM) as of October 1, 1999, was 824. The School District employed 66 certificated employees and 35 non-certificated employees.

The School District is associated with the Southeastern Ohio Voluntary Education Cooperative and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Worker's Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 12 and 13.

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

- Athens-Meigs Educational Service Center

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-01 (now Ohio Administrative Code Section 117-2-03(B)) to file its annual financial report pursuant with generally accepted accounting principles, the School District chose to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

**B. Pooled Cash and Investments**

The School District Treasurer invests all available funds of the School District in interest-bearing checking accounts and Star Ohio. This cash is pooled for investment purposes to capture the highest rate of return. Income from these investments is distributed according to School District policy.

**C. Fund Accounting**

The School District maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds.

The restrictions associated with each type of fund are as follows:

**1. Governmental Fund Types:**

**General Fund**

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required by law or contract 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.

**Special Revenue Funds**

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

**Capital Projects Funds**

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

**2. Proprietary Fund Types**

**Enterprise Funds**

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.



**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**2. Proprietary Fund Types (Continued)**

**Internal Service Funds**

The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, on a cost-reimbursement basis.

**3. Fiduciary Fund Types**

**Agency Funds**

The Agency Funds are used to account for assets held by a governmental unit in an agency capacity for individuals, private organizations, other funds and/or governmental units.

**D. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the subsequent July 1 to June 30 fiscal year.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 1999, unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

**4. Encumbrances**

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**E. Property, Plant and Equipment**

Fixed assets acquired or constructed for the School District are recorded as disbursements. Depreciation is not recorded for these fixed assets.

**F. Accumulated Unpaid Vacation and Sick Leave**

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting described in Note 2. At June 30, 2000, management estimates that \$39,454 in vacation leave and \$1,151,617 in sick leave has been accumulated by the employees of the School District. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 2000.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The School District maintains a cash and investment pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments and Fund Cash Balances" as "Cash Balances by Fund Type."

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAROhio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$355,334 and the bank balance was \$438,404. Of the bank balance, \$100,000 was covered by federal deposit insurance, and \$338,404 was collateralized by securities held by a third party bank in the School District's name.

Investments - Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000. The School District's investment in the STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

<u>Investment:</u>	<u>Carrying Value</u>	<u>Market Value</u>
Star Ohio	<u>\$2,005,813</u>	<u>\$2,005,813</u>

**4. PROPERTY TAXES**

Real property taxes are levied on assessed values which equal 35% of appraised values. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 1998 for Meigs County.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for fiscal year ended June 30, 2000, was \$23.50 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$23.50 per \$1,000 of assessed valuation for real property classified as residential/agricultural and was 23.50 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax year 1999 was \$23.50 per \$1,000 of assessed valuation.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**4. PROPERTY TAXES (Continued)**

<u>Real Property - 1999 Valuation</u>	
Residential/Agricultural	\$32,231,950
Commercial/Agricultural	1,198,000
Minerals	453,280
<u>Tangible Personal Property - 1999 Valuation</u>	
General	1,415,190
Public Utilities	<u>4,238,630</u>
Total	<u>\$39,537,050</u>

The Meigs County Treasurer collects property tax on behalf of all taxing districts within their respective County. The Meigs County Auditor periodically remits to the taxing districts their portion of the taxes collected.

**5. CLASSROOM FACILITIES**

On November 6, 1995, the voters of the School District passed a half-mill levy to qualify for State Building Assistance Funds. The School District received a \$7,295,000 interest free loan from the State of Ohio for the construction and reconstruction of classroom facilities.

The balance outstanding at June 30, 2000 (\$7,295,000), is payable over the next 15 years from property tax collections repaid at the rate of one-half mill until the loan is paid off or the total time of twenty-three years expires. During the fiscal year ended June 30, 2000, the School District was not required to make any payments on this loan, as noted below.

Pursuant to changes in Ohio Rev. Code Section 3318.082, the school districts which have participated in the building assistance program may enter into supplemental agreements with the Ohio School Facilities Commission in order that proceeds of the one-half mill tax can be distributed in accordance with Ohio Rev. Code Section 3318.06, as amended by Amended Substitute House Bill 748 of the 121<sup>st</sup> General Assembly. This change allowed the School District to retain the one-half mill locally for maintenance of classroom facilities constructed or renovated through building assistance as the School District's adjusted valuation per pupil is greater than the statewide median adjusted valuation per pupil. If the School District's adjusted valuation per pupil is less than the statewide median adjusted valuation per pupil in a given year, the School District will be notified that all such proceeds shall be used for maintenance. Effective January 1, 1998, the School District retained half of the one-half mill locally as per the supplemental agreement.

**6. DEBT OBLIGATIONS**

Debt outstanding at June 30, 2000, consisted of the following:

	General Obligation <u>Bonds</u>	General Obligation <u>Note</u>
Principal Outstanding	\$1,395,000	\$90,207
Interest Rates	5.80%	5.50%

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**6. DEBT OBLIGATIONS (Continued)**

The general obligation bonds are direct obligations of the School District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the School District. Outstanding general obligation bonds consist of school building construction issue. The general obligation note is an installment note obtained in order to acquire and install equipment and other improvements which constitute energy conservation measures as per House Bill 264.

The annual requirements to amortize debt outstanding as of June 30, 2000, including interest payments of \$1,100,535 are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>	<u>General Obligation Note</u>	<u>Total</u>
2001	\$120,364	\$28,686	\$149,050
2002	118,141	28,686	146,827
2003	120,760	28,686	149,446
2004	118,220	14,339	132,559
2005	120,532		120,532
2006 - 2010	592,378		592,378
2011 - 2015	589,010		589,010
2016 - 2020	587,375		587,375
2021	118,565		118,565
Total	<u>\$2,485,345</u>	<u>\$100,397</u>	<u>\$2,585,742</u>

**7. 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 omissions, injuries to employees and natural disasters. During fiscal year ending June 30, 2000, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$1,000 deductible.

Professional and general liability is protected by Nationwide Insurance Company with a \$1,000,000 single occurrence limit with \$5,000,000 aggregate and a \$1,000 deductible. Vehicles are covered by Nationwide Insurance Company and hold a \$500 deductible for collision and a \$250 deductible for comprehensive coverage. Vehicle liability had a \$2,000,000 combined single limit of liability. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 salaries. This rate is calculated based on accident history and administrative costs.

The School District provides a comprehensive health insurance plan with Medical Claims Services, Incorporated for all eligible employees. The School District pays 100% of the single and/or family premium. The monthly premium for this coverage is \$688.08 for family and \$275.23 for individual. This insurance provides prescription drug insurance which has a monthly premium of \$84.90 for family and \$33.96 for individual.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Dental coverage is provided through Medical Claims Services, Incorporated. The School District pays 100% of the premium for all eligible employees. Monthly premiums for this coverage are \$38.03 and \$13.83, respectively for family and/or single coverage.

Life Insurance for eligible employees is provided through CoreSource. The School District pays 100% of the premium for single coverage, which is \$15,000 for certified employees and \$20,000 for classified employees. The monthly premium for this coverage is \$3.30 for certified employees and \$4.40 for classified employees. The Treasurer, Superintendent and the three principals have life insurance that is equal to their yearly salaries.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$27,171, \$38,405 and \$49,883, respectively; 100 percent has been contributed for fiscal years 2000, 1999 and 1998.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System (Continued)**

Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$109,502, \$103,346 and \$115,958, respectively; 100 percent has been contributed for fiscal years 2000, 1999 and 1998.

**9. POST-EMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$146,002 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$41,991.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million.



**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**10. CONTRACTUAL COMMITMENTS**

The School District was previously committed to or had entered into contractual agreements during the audit period which have outstanding balances. The following contract had an outstanding balance as of June 30, 2000:

<u>Vendor</u>	<u>Fund to be Paid From</u>	<u>Amount</u>
Edwin H. Davis	General Fund	<u>\$51,985</u>

**11. DEFERRED COMPENSATION**

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

**12. JOINTLY GOVERNED ORGANIZATIONS**

**A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)**

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC's governing board is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

**B. The Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The Board members are composed of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**13. INSURANCE PURCHASING POOL**

**Ohio School Boards Association (OSBA) 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, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**14. STATUTORY RESERVES**

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

The following information describes the change in fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Set-aside Reserve Balance as of June 30, 1999	\$0	\$0	\$19,323	\$19,323
Current Fiscal Year				
Set-Aside Requirement	80,483	80,483	26,828	187,794
Offset Credits	0	(19,226)	0	(19,226)
Qualifying Expenditures	(37,672)	(61,257)	0	(98,929)
Set-aside Balance Carried to Future Fiscal Years	<u>\$42,811</u>	<u>\$0</u>	<u>\$46,151</u>	<u>\$88,962</u>
Set-aside Reserve Balance as of June 30, 2000	<u>\$42,811</u>	<u>\$0</u>	<u>\$46,151</u>	<u>\$88,962</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital maintenance set-aside amount below zero. However, this extra amount cannot be used to reduce the set-aside requirement in future fiscal years. The School District has also designated additional amounts from the General Fund for the textbook reserve (\$20,149), capital maintenance reserve (\$47,249) and budget stabilization (\$6,716) that may be used to reduce the set-aside requirement in future years. These additional amounts are not required by State statute and may be changed at the discretion of the Board of Education.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**15. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$3,362,909 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of \$7,295,000 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court.

On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

**16. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**16. CONTINGENCIES (Continued)**

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program (Commodities)	10.550	N/A	\$	\$ 19,178	\$	\$ 18,564
National School Breakfast Program	10.553	05-PU-99 05-PU-00	11,239 <u>26,530</u>		11,239 <u>26,530</u>	
Total National School Breakfast Program			<u>37,769</u>	0	<u>37,769</u>	0
National School Lunch Program	10.555	03-PU-99 04-PU-99 03-PU-00 04-PU-00	6,318 24,697 13,020 <u>52,571</u>		6,318 24,697 13,020 <u>52,571</u>	
Total National School Lunch Program			<u>96,606</u>	0	<u>96,606</u>	0
Total Nutrition Cluster			<u>134,375</u>	<u>19,178</u>	<u>134,375</u>	<u>18,564</u>
Total United States Department of Agriculture			134,375	19,178	134,375	18,564
<b>UNITED STATES DEPARTMENT OF LABOR</b>						
<i>Passed through the Ohio Department of Education</i>						
Employment Services and Job Training Pilot and Demonstration Program	17.249	G2-S2-00P			4,744	
Total United States Department of Labor			0	0	4,744	0
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>						
<i>Pass Through Ohio Emergency Management Agency:</i>						
Disaster Assistance - Federal Emergency Management Agency	83.544	DR-1227	79,641		93,356	
Total U.S. Department of Federal Emergency Management			79,641	0	93,356	0
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education</i>						
Grants to Local Educational Agencies (ESEA Title I)	84.010	C1-S1-99 C1-S1-99C C1-S1-00	6,549 108,909 <u>115,458</u>		30,926 15,998 121,125 <u>168,049</u>	0
Total Grants to Local Educational Agencies			<u>115,458</u>	0	<u>168,049</u>	0
Special Education Grants to States (Title VI-B)	84.027	6B-SF-98P 6B-SF-99P	35,344 <u>61,362</u>		7,588 <u>52,914</u>	
Total Special Education Grants to States (Title VI-B)			<u>96,706</u>	0	<u>60,502</u>	0
Drug-Free Schools and Community Grant	84.186	DR-S1-99 DR-S1-00	251 <u>3,466</u>		735 <u>2,590</u>	
Total Drug-Free Schools and Community Grant			<u>3,717</u>	0	<u>3,325</u>	0
Eisenhower Professional Development Grant	84.281	MS-S1-98C MS-S1-99 MS-S1-00	(165) 4,733 1,581 <u>6,149</u>		88 4,019 2,147 <u>6,254</u>	0
Total Eisenhower Professional Development Grant			<u>6,149</u>	0	<u>6,254</u>	0
Innovative Education Program Strategies (Title VI)	84.298	C2-S1-99C C2-S1-99 C2-S1-00	588 3,333 <u>1,245</u>		588 2,567 <u>1</u>	
Total Innovative Education Program Strategies			<u>5,166</u>	0	<u>3,156</u>	0
Class Size Reduction Grant	84.340	CR-S1-00	18,479		15,785	
Total United States Department of Education			<u>245,675</u>	0	<u>257,071</u>	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 459,691</u></b>	<b><u>\$ 19,178</u></b>	<b><u>\$ 489,546</u></b>	<b><u>\$ 18,564</u></b>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the School District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Eastern Local School District  
Meigs County  
50008 State Route 681  
Reedsville, Ohio 45772

To the Board of Education:

We have audited the financial statements of the Eastern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2000, and have issued our report thereon dated October 27, 2000, wherein we noted that the School District had not adopted generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2000-10753-001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated October 27, 2000.

Eastern Local School District  
Meigs County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

October 27, 2000





STATE OF OHIO  
OFFICE OF THE AUDITOR  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Eastern Local School District  
Meigs County  
50008 State Route 681  
Reedsville, Ohio 45772

To the Board of Education:

**Compliance**

We have audited the compliance of the Eastern Local School District, Meigs County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

**Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated October 27, 2000.

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

**Jim Petro**  
Auditor of State

October 27, 2000

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
JUNE 30, 2000**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I, Grants to Local Educational Agencies, CFDA #84.010
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
JUNE 30, 2000  
(Continued)**

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

**FINDING NUMBER 2000-10753-001  
Noncompliance Citation**

Ohio Admin. Code Section 117-02-1 (now Ohio Administrative Code Section 117-2-03(B)) requires the School District to file its annual financial report in pursuant to generally accepted accounting principles.

The School District prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other legal administrative remedies may be taken against the School District.

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

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards.

**EASTERN LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
JUNE 30, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-10753-001	A noncompliance citation was issued under Ohio Admin. Code Section 117-2-01, for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected:  The School District's officials did not believe that preparing financial statements in accordance with generally accepted accounting principles was cost beneficial.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**EASTERN LOCAL SCHOOL DISTRICT**

**MEIGS 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  
NOVEMBER 28, 2000**