

Eastern Local School District
Pike County, Ohio

Single Audit

July 1, 2007 through June 30, 2008
Fiscal Years Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Eastern Local School District, Pike County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 15, 2008

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Eastern Local School District
Pike County, Ohio

Table of Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis	11
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	13
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	15
Statement of Fund Net Assets – Cash Basis – Proprietary Fund	16
Statement of Receipts, Disbursements and Changes in Fund Net Assets – Cash Basis – Proprietary Fund	17
Statement of Cash Basis Fiduciary Net Assets – Cash Basis – Fiduciary Funds	18
Notes to the Basic Financial Statements	19
Schedule of Federal Awards Expenditures	37
Notes to Schedule of Federal Awards Expenditures	38
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	39
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	41
Schedule of Findings and Questioned Costs OMB Circular A-133 §.505	43
Schedule of Prior Audit Findings	45

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Independent Auditor's Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District (the School District), Pike County, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

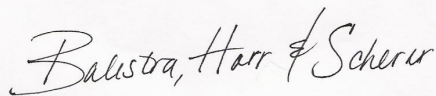
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in cash basis financial position and the respective budgetary comparison for the general fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2008, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

As described in Note 18 to the basic financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB statements No. 25 and No. 27*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*.



Balestra, Harr & Scherer, CPAs, Inc.

November 3, 2008

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

As management of the Eastern Local School District, we offer the readers of the School District's basic financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

Net assets of governmental activities decreased \$104,108.

General cash receipts accounted for \$6,107,458 or 70 percent of all total revenues. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$2,593,477 or 30 percent of total cash receipts of \$8,700,935.

The School District had \$8,805,043 in expenses related to governmental activities; only \$2,593,477 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions. General cash receipts (primarily grants, entitlements, and property taxes) of \$6,107,458 were not adequate to provide for these programs.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

REPORT COMPONENTS

The *Statement of Net Assets* and *Statement of Activities* provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

BASIS OF ACCOUNTING

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during 2008, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, the condition of the School District's capital assets and infrastructure, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the School District has one type of activity; governmental.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the District as a whole. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General fund and the Bond Retirement fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities due to transfers and advances netted on the Statement of Activities. See Note 2 to the basic financial statements.

Proprietary Funds The School District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the Service District reports it as a proprietary fund using the full accrual basis of accounting. Since the internal fund exclusively benefits governmental functions, it has been included with governmental activities in the government-wide financial statements.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Fiduciary Funds

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

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 and 2007.

(Table 1)
Net Assets

	Governmental Activities	
	2008	2007
Assets		
Current and Other Assets	\$ 2,308,365	\$ 2,412,473
Total Assets	2,308,365	2,412,473
 Net Assets		
Restricted	799,912	807,232
Unrestricted	1,508,453	1,605,241
Total Net Assets	\$ 2,308,365	\$ 2,412,473

Total net assets decreased \$104,108 from 2007 to 2008 due to cash disbursements in excess of cash receipts.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows the highlights of the School District's cash receipts and cash disbursements. These two main components are subtracted to yield the change in net assets.

Cash Receipts is further divided into two major components: Program Cash Receipts and General Cash Receipts. Program Cash Receipts are defined as charges for services and sales, capital and operating grants, and contributions. General Cash Receipts include property taxes, unrestricted grants, such as State foundation support, unrestricted contributions, investment earnings and miscellaneous receipts.

Cash Disbursements are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

(Table 2)
 Changes in Net Assets

	Governmental Activities	
	2008	2007
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	\$ 377,804	\$ 360,863
Operating Grants and Contributions	2,215,673	1,992,901
Total Program Cash Receipts	2,593,477	2,353,764
General Cash Receipts:		
Property Taxes	999,976	1,012,815
Grants and Entitlements not Restricted to Specific Programs	4,957,398	4,729,528
Investment Earnings	73,052	54,428
Proceeds from Sale of Capital Assets	11,249	
Miscellaneous	65,783	55,185
Total General Cash Receipts	6,107,458	5,851,956
Total Cash Receipts	8,700,935	8,205,720

Total cash receipts increased by \$495,215 from 2007 to 2008 primarily due to an increase in cash received for several state and federal grants as well as an increase in unrestricted aid from the state.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

(Table 2)
Change in Net assets
(continued)

	Governmental Activities	
	2008	2007
Program Cash Disbursements		
Instruction:		
Regular	\$ 3,144,706	\$ 3,016,793
Special	933,213	800,722
Vocational	98,546	72,362
Other	1,146,406	989,676
Support Services:		
Pupils	230,556	256,245
Instructional Staff	167,142	151,584
Board of Education	30,966	25,440
Administration	607,407	634,316
Fiscal	226,450	226,603
Operation and Maintenance of Plant	708,744	650,888
Pupil Transportation	805,922	643,624
Central	114,382	129,986
Operation of Non-Instructional Services	335,671	317,202
Extracurricular Activities	114,989	124,976
Capital Outlay	37,370	34,413
Debt Service:		
Principal	50,000	50,000
Interest and Fiscal Charges	52,573	54,935
Total Cash Disbursements	<u>8,805,043</u>	<u>8,179,765</u>
Change in Net Assets	(104,108)	25,955
Net Assets, Beginning of the Year	<u>2,412,473</u>	<u>2,386,518</u>
Net Assets, End of the Year	<u>\$ 2,308,365</u>	<u>\$ 2,412,473</u>

Total cash disbursements increased \$625,278 from 2007 to 2008. Cash disbursements for regular, special, and other instruction increased \$127,913, \$132,491 and \$156,730, respectively, from 2007 to 2008 primarily due to payroll and benefit increases. Cash disbursements for pupil transportation increased \$162,298 from 2007 to 2008 primarily due to increased fuel costs and the purchase of a school bus.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Activities

Grants and entitlements not restricted to specific programs made up 57 percent of cash receipts for governmental activities of the Eastern Local School District for fiscal year 2008. Property tax receipts made up 11 percent of the total cash receipts for governmental activities for a total of 68 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 36 percent of governmental program cash disbursements. Support services expenses make up 33 percent of governmental cash disbursements.

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

(Table 3)
 Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction	\$ 5,322,871	\$ 3,725,576	\$ 4,879,553	\$ 3,538,246
Support Services	2,891,569	2,264,218	2,718,686	2,055,670
Operation of Non-Instructional Services	335,671	3,228	317,202	7,391
Extracurricular Activities	114,989	78,601	124,976	85,346
Capital Outlay	37,370	37,370	34,413	34,413
Principal	50,000	50,000	50,000	50,000
Interest and Fiscal Charges	52,573	52,573	54,935	54,935
Total Cash Disbursements	<u>\$ 8,805,043</u>	<u>\$ 6,211,566</u>	<u>\$ 8,179,765</u>	<u>\$ 5,826,001</u>

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$8,701,662 and cash disbursements and other financing uses of \$8,876,638. The most significant change in fund balance was in the General fund.

For the General Fund, intergovernmental cash receipts increased \$232,613 from the prior year primarily due to an increase in unrestricted aid from the state. Cash disbursements for regular instruction, special instruction, and other instruction increased \$79,798, \$110,434, and \$66,294, respectively, primarily due to salary and related benefit increases. Operation and maintenance of plant increased \$87,133, primarily due to salary increases and increased utility costs. Pupil transportation increased \$159,881 primarily due to increased fuel costs and the purchase of a school bus. Overall, cash disbursements plus transfers out were higher than the current year cash receipts and other financing sources resulting in a decrease in fund balance for the General Fund of \$167,656.

For the Bond Retirement fund, property tax cash receipts increased slightly and cash disbursements were consistent with the prior year. Cash receipts exceeded cash disbursements resulting in the increase in fund balance in the amount of \$31,245.

Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General fund. During the course of fiscal year 2008, the School District revised its budget slightly.

For fiscal year 2008, the School District filed an amended certificate of estimated resources. For the General fund, final estimated receipts were \$6,899,184, with original estimated receipts of \$6,760,750. Actual receipts were \$6,899,233, a difference of \$49 over final estimated receipts.

At the end of fiscal year 2008, the School District filed an amended appropriations resolution. This resulted in the General Fund's final appropriations increasing \$63,256 over the original appropriations. The increase in appropriations was primarily in estimated disbursements for vocational and other instruction, operation and maintenance of plant and pupil transportation and these increases were partially offset by a decrease in estimated disbursements for special instruction and transfers out. Actual expenditures were \$7,127,427, which equaled final estimated disbursements.

Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had capital outlay disbursements of \$37,370 during fiscal year 2008.

Debt

Under the cash basis of accounting the School District does not report bonds, long-term or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds. At June 30, 2008, the School District had \$965,000 in general obligation bonds. For additional information regarding debt, see note 9 to the basic financial statements. Table 4 summarizes the outstanding debt:

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

	2008	2007
1998 School Improvement General Obligation Bonds	\$ 965,000	\$ 1,015,000

The School District's overall legal debt margin was \$3,221,015 with an unvoted debt margin of \$46,511 at June 30, 2008.

*Eastern Local School District, Pike County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Rodney Schilling, Treasurer at Eastern Local School District, 1170 Tile Mill Road, Beaver, Ohio 45613.

Eastern Local School District, Pike County
Statement of Net Assets - Cash Basis
June 30, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,129,863
Restricted Cash and Cash Equivalents	178,502
<i>Total Assets</i>	2,308,365
 Net Assets	
Restricted for:	
Capital Projects	252,715
Debt Service	382,841
Other Purposes	164,356
Set-aside	178,502
Unrestricted	1,329,951
<i>Total Net Assets</i>	\$ 2,308,365

See accompanying notes to the basic financial statements.

Eastern Local School District, Pike County

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2008*

	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 3,144,706	\$ 142,846	\$ 732,565	\$ (2,269,295)
Special	933,213	39,613	454,185	(439,415)
Vocational	98,546	3,877	-	(94,669)
Other	1,146,406	49,008	175,201	(922,197)
Support Services:				
P u p i l s	230,556	9,548	21,457	(199,551)
Instructional Staff	167,142	6,575	-	(160,567)
Board of Education	30,966	1,218	-	(29,748)
Administration	607,407	24,981	48,699	(533,727)
Fiscal	226,450	8,702	19,026	(198,722)
Operation and Maintenance of Plant	708,744	29,035	57,377	(622,332)
Pupil Transportation	805,922	31,913	337,085	(436,924)
Central	114,382	5,094	26,641	(82,647)
Operation of Non-Instructional Services				
	335,671	20,175	312,268	(3,228)
Extracurricular Activities	114,989	5,219	31,169	(78,601)
Capital Outlay	37,370	-	-	(37,370)
Debt Service:				
Principal	50,000	-	-	(50,000)
Interest and Fiscal Charges	52,573	-	-	(52,573)
<i>Total Governmental Activities</i>	<u>\$ 8,805,043</u>	<u>\$ 377,804</u>	<u>\$ 2,215,673</u>	<u>(6,211,566)</u>
General Cash Receipts				
Property Taxes Levied for:				
				862,296
				120,767
				16,913
				4,957,398
				73,052
				65,783
				11,249
<i>Total General Cash Receipts</i>				<u>6,107,458</u>
<i>Change in Net Assets</i>				(104,108)
<i>Net Assets Beginning of Year</i>				<u>2,412,473</u>
<i>Net Assets End of Year</i>				<u>\$ 2,308,365</u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Pike County
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,239,633	\$ 382,841	\$ 417,071	\$ 2,039,545
Restricted Cash and Cash Equivalents	178,502	-	-	178,502
<i>Total Assets</i>	<u>\$ 1,418,135</u>	<u>\$ 382,841</u>	<u>\$ 417,071</u>	<u>\$ 2,218,047</u>
FUND BALANCES:				
Reserved:				
Reserved for Encumbrances	60,538	-	194,192	254,730
Reserved for Textbooks and Instructional Materials	169,813	-	-	169,813
Reserved for Bus Purchases	8,689	-	-	8,689
Unreserved, Undesignated, Reported in:				
General Fund	1,179,095	-	-	1,179,095
Special Revenue Funds	-	-	56,112	56,112
Debt Service Funds	-	382,841	-	382,841
Capital Projects Funds	-	-	166,767	166,767
<i>Total Fund Balances</i>	<u>\$ 1,418,135</u>	<u>\$ 382,841</u>	<u>\$ 417,071</u>	<u>\$ 2,218,047</u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Pike County
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
 Governmental Funds
 For the Fiscal Year Ended June 30, 2008

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS:				
Property Taxes	\$ 862,296	\$ 120,767	\$ 16,913	\$ 999,976
Intergovernmental	5,609,234	18,543	1,542,505	7,170,282
Interest	72,952	-	100	73,052
Tuition and Fees	277,967	-	-	277,967
Extracurricular Activities	-	-	33,175	33,175
Gifts and Donations	-	-	2,788	2,788
Customer Sales and Services	-	-	66,662	66,662
Miscellaneous	65,535	2	246	65,783
<i>Total Cash Receipts</i>	<u>6,887,984</u>	<u>139,312</u>	<u>1,662,389</u>	<u>8,689,685</u>
CASH DISBURSEMENTS:				
Current:				
Instruction:				
Regular	2,428,108	-	787,465	3,215,573
Special	793,443	-	139,770	933,213
Vocational	98,546	-	-	98,546
Other	958,075	-	188,331	1,146,406
Support Services:				
Pupils	207,491	-	23,065	230,556
Instructional Staff	167,142	-	-	167,142
Board of Education	30,966	-	-	30,966
Administration	555,058	-	52,349	607,407
Fiscal	220,437	5,494	519	226,450
Operation and Maintenance of Plant	643,859	-	64,885	708,744
Pupil Transportation	795,808	-	10,114	805,922
Central	85,744	-	28,638	114,382
Operation of Non-Instructional Services	-	-	335,671	335,671
Extracurricular Activities	81,484	-	33,505	114,989
Capital Outlay	-	-	37,370	37,370
Debt Service:				
Principal	-	50,000	-	50,000
Interest	-	52,573	-	52,573
<i>Total Cash Disbursements</i>	<u>7,066,161</u>	<u>108,067</u>	<u>1,701,682</u>	<u>8,875,910</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(178,177)</u>	<u>31,245</u>	<u>(39,293)</u>	<u>(186,225)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	-	-	728	728
Proceeds from Sale of Capital Assets	11,249	-	-	11,249
Transfers Out	(728)	-	-	(728)
<i>Total Other Financing Sources and Uses</i>	<u>10,521</u>	<u>-</u>	<u>728</u>	<u>11,249</u>
<i>Net Change in Fund Balances</i>	<u>(167,656)</u>	<u>31,245</u>	<u>(38,565)</u>	<u>(174,976)</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,585,791</u>	<u>351,596</u>	<u>455,636</u>	<u>2,393,023</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,418,135</u>	<u>\$ 382,841</u>	<u>\$ 417,071</u>	<u>\$ 2,218,047</u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS:				
Property Taxes	\$ 873,960	\$ 862,296	\$ 862,296	\$ -
Intergovernmental	5,524,520	5,609,234	5,609,234	-
Interest	75,768	72,952	72,952	-
Tuition and Fees	261,680	277,967	277,967	-
Miscellaneous	24,822	65,486	65,535	49
Total Receipts	\$ 6,760,750	\$ 6,887,935	\$ 6,887,984	\$ 49
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	2,472,051	2,481,694	2,481,694	-
Special	815,445	793,443	793,443	-
Vocational	78,056	98,546	98,546	-
Other	919,778	958,075	958,075	-
Support Services:				
Pupils	214,236	208,240	208,240	-
Instructional Staff	161,753	167,142	167,142	-
Board of Education	32,637	31,686	31,686	-
Administration	555,430	555,658	555,658	-
Fiscal	212,073	223,080	223,080	-
Operation and Maintenance of Plant	587,709	646,031	646,031	-
Pupil Transportation	776,834	795,876	795,876	-
Central	94,097	85,744	85,744	-
Extracurricular Activities:				
Academic Oriented Activities	9,080	10,169	10,169	-
Occupation Oriented Activities	1,247	1,236	1,236	-
Sport Oriented Activities	59,413	61,258	61,258	-
School and Public Service Co-Curricular Activities	9,167	8,821	8,821	-
Total Disbursements	6,999,006	7,126,699	7,126,699	-
Excess of Receipts Over (Under) Disbursements	(238,256)	(238,764)	(238,715)	49
OTHER FINANCING SOURCES AND USES:				
Proceeds from Sale of Capital Assets	-	11,249	11,249	-
Transfers Out	(65,165)	(728)	(728)	-
Total Other Financing Sources and Uses	(65,165)	10,521	10,521	-
Net Change in Fund Balance	(303,421)	(228,243)	(228,194)	49
Fund Balance at Beginning of Year	1,585,791	1,585,791	1,585,791	-
Fund Balance at End of Year	\$ 1,282,370	\$ 1,357,548	\$ 1,357,597	\$ 49

See accompanying notes to the basic financial statements.

Eastern Local School District, Pike County
Statement of Fund Net Assets - Cash Basis
Proprietary Fund
June 30, 2008

	<u>Governmental Activities - Internal Service Funds</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 90,318
<i>Total Assets</i>	<u>90,318</u>
NET ASSETS:	
Unrestricted	<u>90,318</u>
<i>Total Net Assets</i>	<u><u>\$ 90,318</u></u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Pike County
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2008

	Governmental Activities - Internal Service Funds
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 139,342
<i>Total Operating Cash Receipts</i>	139,342
OPERATING CASH DISBURSEMENTS:	
Purchased Services	68,474
<i>Total Operating Cash Disbursements</i>	68,474
<i>Net Change in Net Assets</i>	70,868
<i>Net Assets at Beginning of Year</i>	19,450
<i>Net Assets at End of Year</i>	\$ 90,318

See accompanying notes to the basic financial statements.

Eastern Local School District, Pike County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2008

	<u>Agency Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 20,206</u>
Net Assets	
Unrestricted	<u>20,206</u>
Total Net Assets	<u>\$ 20,206</u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Eastern Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines. The School District was established in 1960 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 107 square miles. It is located in Pike County, and includes all of the Villages of Beaver and Stockdale and portions of Marion, Union, and East Jackson Townships in Pike County, Madison Township in Scioto County and Liberty Township in Jackson County. It is staffed by 38 non-certificated employees, 64 certificated full-time teaching personnel, and 6 administrators who provide services to 932 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Eastern Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

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

- Village of Beaver
Ross - Pike County Educational Service Center

The School District participates in four organizations, two of which are defined as jointly governed organizations, and two as group purchasing pools. These organizations are the South Central Ohio Computer Association, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Boards Association Workers Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 10 and 11 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis Of Presentation

The School District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements:

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

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by this School District can be classified using three categories, governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Cash basis assets are assigned to the various governmental funds according to the purpose for which they may or must be used. On a cash basis governmental fund assets equal fund balance. The following are the School District's major governmental funds:

General Fund

The General Fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Retirement Fund

The Bond Retirement Fund is a fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund.

The other governmental funds of the School District account for grants and other resources, and capital projects, whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating cash receipts over/(under) cash disbursements, changes in net cash assets, and cash basis financial position. Proprietary funds are classified as enterprise or internal service; the Eastern Local School District has no enterprise funds and one internal service 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 Eastern Local School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee dental claims and to provide self insurance for health care claims under \$2,000 for single coverage and \$4,000 for family coverage.

Fiduciary Funds

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

C. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for good or services received but not yet paid), and accrued expenses and liabilities are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Receipts – Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the fiscal year in which the resources are received.

Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

D. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level; however, the School District has chosen to report their budgetary financial statement for the General Fund at the function level.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General and All Other Governmental Funds during fiscal year 2008 amounted to \$72,952 and \$100, respectively.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for textbooks and instructional materials, and bus purchases.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets

Capital assets acquired or constructed for the School District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported on the basic financial statements.

H. Interfund Activity

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. Interfund transfers between governmental activities are eliminated in the statement of activities. Flows of cash from one fund to another with a requirement for repayment are reported as advances in and out. Advances between governmental activities are eliminated in the statement of activities.

I. Compensated Absences

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. Fund Balance Reserves

The School District records reservations for portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, textbooks and instructional materials, and bus purchases.

L. Net Assets

Net assets represent the cash basis assets held by the School District at year end. Net assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants. The School District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available.

At June 30, 2008, of the School District's \$799,912 restricted net assets, none were restricted by enabling legislation.

M. Operating Cash Receipts and Cash Disbursements

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

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the School District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the School District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the School District's total average portfolio.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the School District deposits will not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws government insurance and collateralization of public funds.

As of June 30, 2008, the School District's bank balance of \$2,432,123 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2008 for real and public utility property taxes represents collections of calendar 2007 taxes. Property tax payments received during calendar 2008 for tangible personal property (other than public utility property) are for calendar 2008 taxes.

2008 real property taxes are levied after April 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2008 real property taxes are collected in and intended to finance fiscal year 2009.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after April 1, 2008 and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after April 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 4 - PROPERTY TAXES (continued)

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$39,955,750	86.34%	\$40,776,380	87.97%
Public Utility	5,371,341	11.61%	4,461,580	9.63%
Tangible Personal Property	950,105	2.05%	1,113,304	2.40%
Total Assessed Value	\$46,277,196	100.00%	\$46,351,264	100.00%
Tax rate per \$1,000 of assessed valuation	\$33.51		\$33.36	

NOTE 5 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Indiana Insurance Company for property and fleet insurance, and professional liability insurance coverage. Coverages provided are as follows:

Building and Contents-80% Co-insurance (\$1,000 deductible)	\$22,073,760
Boiler and Machinery-80% Co-insurance (\$5,000 deductible)	22,073,760
Crime Insurance	75,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

During fiscal year 2008, the School District contracted with Cincinnati Insurance Company and Western Surety Company for public official bonds as follows:

Treasurer / Superintendent / Board President (each)	20,000
Assistant Treasurer	3,000
Blanket bond	6,000

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - RISK MANAGEMENT (continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participants' individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling arrangement" ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRPs selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Dental insurance is offered to employees through a self-insurance internal service fund. Coresource is the School District's third party administrator who informs the School District of claim payments needed each week. Coresource provides an actuarial study each year and advises the School District as to any change needed in premium payments to the internal service fund. Under the cash basis of accounting the School District does not record a liability for unpaid claims in the accompanying basic financial statements.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under *Forms and Publications*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.82 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$153,864, \$139,932, and \$134,376, respectively, which represents the required annual contribution for each year.

B. State Teachers Retirement System

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

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$466,440, \$465,072, and \$427,178, respectively, which represents the required annual contribution for each year.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 7-POSTEMPLOYMENT BENEFITS

The School District provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Ohio law authorizes STRS to offer a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. The 14 percent employer contribution rate is the maximum rate established under Ohio law. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. For the School District, this amount equaled \$33,317 for fiscal year 2008.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. SERS administers two post-employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was 0.66 percent. For the School District, contributions for the year ended June 30, 2008 were \$7,254, which equaled the required contributions for the year.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 7-POSTEMPLOYMENT BENEFITS (continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 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. For fiscal year 2008, the minimum compensation level was established at \$35,800. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled \$61,258.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at www.ohsers.org under *Forms and Publications*.

Net health care costs for the year ending June 30, 2007 (the latest information available) were \$127,615,614. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2007, the value of the health care fund was \$386.4 million. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claims costs. The number of participants eligible to receive benefits was 55,818.

NOTE 8-EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators, with the exception of the Superintendent and Treasurer, do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 days for teachers and administrators and 215 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 8-EMPLOYEE BENEFITS (Continued)

B. Life and Accident Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource. The School District has elected to provide employee medical/surgical benefits, vision, and prescription drug benefits through Anthem Blue Cross/Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

C. Deferred Compensation

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

NOTE 9 - LONG-TERM DEBT

Under the cash basis of accounting the School District does not record debt as a liability in the accompanying basic financial statements. However, in order to provide meaningful information regarding debt to readers of these basic financial statements, the School district has elected to present the following information. The changes in the School District's long-term debt during fiscal year 2008 were as follows:

	Debt Outstanding <u>6/30/2007</u>	<u>Additions</u>	<u>Deductions</u>	Debt Outstanding <u>6/30/2008</u>	<u>Due in One Year</u>
1998 School Improvement General Obligation Bonds - 4.0% - 5.0%	\$ 1,015,000	\$ -	\$ 50,000	\$ 965,000	\$ 55,000

1998 School Improvement General Obligation Bonds - On June 4, 1998, the School District issued \$1,423,000 in voted general obligation bonds for the purpose of building new school building facilities. The bonds were issued for a twenty-three year period with final maturity during fiscal year 2021. The bonds will be retired from the debt service fund.

Principal and interest requirements to retire general obligation debt at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 55,000	\$ 50,065	\$ 105,065
2010	55,000	47,397	102,397
2011	60,000	44,250	104,250
2012	60,000	40,650	100,650
2013	65,000	36,900	101,900
2014-2018	385,000	122,600	507,600
2019-2021	285,000	21,875	306,875
Total	<u>\$ 965,000</u>	<u>\$ 363,737</u>	<u>\$ 1,328,737</u>

The School District's overall legal debt margin was \$3,221,015 with an unvoted debt margin of \$46,511 at June 30, 2008.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - GROUP PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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 and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus the fiscal agent. The School District paid SCOCA \$124,628 for services provided during the year. Financial information can be obtained from their fiscal agent, the Vern Riffe Career Technology Center, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

The Pilasco-Ross Special Education Regional Resource Center - The Pilasco-Ross Special Education Regional Resource Center (Pilasco-Ross) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents.

Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Eastern Local School District's Superintendent is an alternate for the Pilasco-Ross Board. Financial information can be obtained by contacting the fiscal agent, Jim Tordiff, Treasurer, at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 12 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The School District is no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers Compensation, which must be retained for budget stabilization or spent for specified purposes.

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

	Textbooks	Capital Acquisition	Budget Stablization
Set-aside Reserve Balance as of June 30, 2007	\$ 213,353	\$ -	\$ 29,239
Current year set-aside requirement	112,418	112,418	-
Current year offsets and prior year carryover	-	(362,906)	-
Qualifying disbursements	(155,958)	(98,237)	(29,239)
Totals	169,813	(348,725)	-
Set-aside Reserve Balance as of June 30, 2008	\$ 169,813	\$ -	\$ -

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Capital Acquisition Reserve. This extra amount may be carried forward and used to reduce the set-aside requirements of future fiscal years.

NOTE 13 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 14 – INTERFUND ACTIVITY

Transfers made during the year ended June 30, 2008, were as follows:

<u>Interfund Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 728
Nonmajor Special Revenue Fund		
Title I	728	-
Total Nonmajor Special Revenue Fund	<u>728</u>	<u>-</u>
 Total All Funds	 <u>\$ 728</u>	 <u>\$ 728</u>

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

NOTE 15 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2008, the Ohio Core Grant Fund had a deficit cash balance of \$713.

B. Compliance

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is not in compliance with Ohio law.

NOTE 16 – PENDING LITIGATION

At June 30, 2008, the School District is party to a lawsuit pertaining to the construction of the school facilities. The outcome of this lawsuit cannot be determined at this time; however, it is not expected to have a material affect on the basic financial statements.

NOTE 17- BUDGETARY BASIS FUND BALANCES

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The table below presents those differences for the School District's General fund:

	<u>General Fund</u>
Budgetary Basis Fund Balance	\$ 1,357,597
Encumbrances	60,538
Fund Cash Balance	<u>\$ 1,418,135</u>

Eastern Local School District, Pike County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year 2008, the School District implemented GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity transfers of Assets and Future Revenues*. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. GASB Statement No. 48 establishes criteria that governments use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings, and disclosure requirements for future revenues that are pledged or sold. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

Eastern Local School District
Pike County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	05PU	10.553	\$ 121,015	\$ -	\$ 121,015	\$ -
National School Lunch Program	LLP4	10.555	184,154	-	184,154	-
Summer Food Service Program for Children	24PU	10.559	8,542	-	8,542	-
Total Nutrition Cluster			313,711	-	313,711	-
Food Donation	NA	10.550	-	36,707	-	36,707
Total United States Department of Agriculture - Nutrition Cluster			313,711	36,707	313,711	36,707
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	239,490	-	253,993	-
Special Education Grants to States	6BSF	84.027	211,467	-	220,981	-
Safe and Drug-Free Schools and Communities State Grants	DRS1	84.186	5,270	-	5,225	-
State Grants for Innovative Programs	C2S1	84.298	2,167	-	2,167	-
Education Technology State Grants	TJS1	84.318	2,600	-	2,600	-
Improving Teacher Quality State Grants	TRS1	84.367	74,247	-	75,923	-
Total United States Department of Education			535,241	-	560,889	-
Total Federal Financial Assistance			\$ 848,952	\$ 36,707	\$ 874,600	\$ 36,707

See Notes to the Schedule of Federal Awards Expenditures.

Eastern Local School District
Pike County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2008

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Eastern Local School District, Pike County (the School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 3, 2008 in which we noted that the School District implemented GASB Statements No. 50, No. 48 and No. 45. We also noted that the School District follows the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial misstatement.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2008-001.

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

We noted a certain non-compliance and other matter that are reported to the School District in a separate report dated November 3, 2008.

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



Balestra, Harr & Scherer, CPAs, Inc.

November 3, 2008

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

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

Compliance

We have audited the compliance of the Eastern Local School District, Pike County (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, 2008. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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, 2008.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the 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 an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

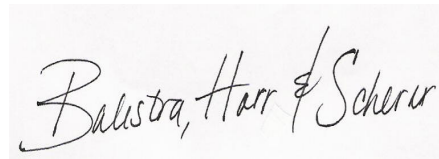
Internal Control Over Compliance (Continued)

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

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.

November 3, 2008

Eastern Local School District
Pike County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
June 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster CFDA #10.553, #10.555 and #10.559.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

Eastern Local School District
Pike County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
June 30, 2008

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

FINDING NUMBER 2008-001

Noncompliance Citation

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

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

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

Client Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

Eastern Local School District
Pike County, Ohio
Schedule of Prior Audit Findings
June 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-001	Ohio Administrative Code Section 117-2-03(B)-Not reporting GAAP	No	Not Corrected. Reissued as finding 2008-001.



Mary Taylor, CPA
Auditor of State

EASTERN LOCAL SCHOOL DISTRICT

PIKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2008**