



Dave Yost • Auditor of State



**EAST PALESTINE CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANT'S REPORT

East Palestine City School District  
Columbiana County  
200 W. North Avenue  
East Palestine, Ohio 44413

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 East Palestine City School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of East Palestine City School District, Columbiana County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipt and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipt and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

December 27, 2012

**East Palestine City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012 (Unaudited)*

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The discussion and analysis of the East Palestine City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2012 are as follows:

- Net assets decreased \$400,697, which represents a 1.8 percent decrease from 2011.
- Capital assets decreased \$689,508 during fiscal year 2012.
- During the year, outstanding capital lease payable decreased from \$1,810,398 to \$1,518,689 due to principal payments made by the School District

***Using this Annual Report***

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

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

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**East Palestine City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012 (Unaudited)*

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

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The major funds financial statements begin on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 18 and 19. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**East Palestine City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2012 (Unaudited)

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

**Table 1**  
**Net Assets**

	Governmental Activities	
	2012	2011
<b>Assets</b>		
Current and Other Assets	\$ 5,335,021	\$ 5,498,677
Capital Assets	<u>22,715,230</u>	<u>23,404,738</u>
<i>Total Assets</i>	<u>28,050,251</u>	<u>28,903,415</u>
<b>Liabilities</b>		
Other Liabilities	3,635,844	3,728,110
Long-Term Liabilities	<u>1,938,678</u>	<u>2,298,879</u>
<i>Total Liabilities</i>	<u>5,574,522</u>	<u>6,026,989</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	21,196,541	21,594,340
Restricted	984,849	1,587,930
Unrestricted	<u>294,339</u>	<u>(305,844)</u>
<i>Total Net Assets</i>	<u>\$ 22,475,729</u>	<u>\$ 22,876,426</u>

Current and other assets decreased \$163,656, primarily due to a decrease in grants receivable as ARRA grants expired in fiscal year 2012.

At year end, capital assets represented 81 percent of total assets. Capital assets include, land and land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt were \$21,196,541 at June 30, 2012. The \$689,508 decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Long-term liabilities decreased by \$360,201 due to principal payments made by the School District.

A portion of the School District's net assets, \$984,849 or 4.4 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets of \$294,339 may be used to meet the government's ongoing obligations to students and creditors.

**East Palestine City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2012 (Unaudited)

Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities	
	2012	2011
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 764,420	\$ 724,093
Operating Grants	1,070,071	2,024,566
Capital Grants	6,856	108,560
<i>Total Program Revenues</i>	<u>1,841,347</u>	<u>2,857,219</u>
<i>General Revenues:</i>		
Property Taxes	2,804,148	2,879,388
Grants and Entitlements Not Restricted	7,234,159	7,603,008
Other	66,300	31,325
<i>Total General Revenues</i>	<u>10,104,607</u>	<u>10,513,721</u>
<i>Total Revenues</i>	<u>11,945,954</u>	<u>13,370,940</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	4,528,453	4,998,150
Special	2,038,504	2,119,201
Vocational	36,692	37,976
<i>Support Services:</i>		
Pupils	605,687	568,305
Instructional Staff	377,530	309,125
Board of Education	28,488	31,423
Administration	681,624	686,762
Fiscal	264,452	274,985
Business	726,905	672,101
Operation and Maintenance of Plant	1,008,071	987,942
Pupil Transportation	749,177	629,151
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	497,116	505,627
Community Services	1,500	28,895
Extracurricular Activities	705,103	740,920
<i>Debt Service:</i>		
Interest and Fiscal Charges	97,349	108,221
<i>Total Expenses</i>	<u>12,346,651</u>	<u>12,698,784</u>
<i>Increase (Decrease) in Net Assets</i>	(400,697)	672,156
<i>Net Assets at Beginning of Year</i>	<u>22,876,426</u>	<u>22,204,270</u>
<i>Net Assets at End of Year</i>	<u>\$ 22,475,729</u>	<u>\$ 22,876,426</u>

**East Palestine City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2012 (Unaudited)

The decrease in operating grants is due to the expiration of the American Recovery and Reinvestment Act grants and stimulus grants. Unrestricted grants and entitlements decreased due to the expiration of State Fiscal Stabilization funding.

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

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 4,528,453	\$ 4,998,150	\$ 3,964,663	\$ 3,669,442
Special	2,038,504	2,119,201	1,520,922	1,376,071
Vocational	36,692	37,976	35,303	36,589
Support Services:				
Pupils	605,687	568,305	605,687	568,305
Instructional Staff	377,530	309,125	372,130	297,300
Board of Education	28,488	31,423	28,488	31,423
Administration	681,624	686,762	641,159	639,195
Fiscal	264,452	274,985	264,452	274,985
Business	726,905	672,101	726,905	672,101
Operation and Maintenance of Plant	1,008,071	987,942	1,001,215	981,125
Pupil Transportation	749,177	629,151	727,070	602,823
Operation of Non-Instructional Services:				
Food Service Operations	497,116	505,627	(43,743)	(21,084)
Community Services	1,500	28,895	1,500	23,846
Extracurricular Activities	705,103	740,920	562,204	581,223
Debt Service:				
Interest and Fiscal Charges	97,349	108,221	97,349	108,221
<i>Total Expenses</i>	<b>\$ 12,346,651</b>	<b>\$ 12,698,784</b>	<b>\$ 10,505,304</b>	<b>\$ 9,841,565</b>

The dependence upon general revenues for governmental activities is apparent. Over 85 percent of governmental activities are supported through taxes and other general revenues; such revenues are 85 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

**East Palestine City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012 (Unaudited)*

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***Governmental Funds***

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,365,302 and expenditures of \$12,002,397 for fiscal year.

The general fund's net change in fund balance for fiscal year 2012 was an increase of \$221,342. Intergovernmental revenue increased from \$6,861,407 in fiscal year 2011 to \$7,142,946 in fiscal year 2012. Total expenditures for the general fund were higher in fiscal year 2012 as compared to fiscal year 2011. Special instruction increased by \$344,581.

The fund balance of the permanent improvement fund decreased by \$91,706. Total expenditures for the permanent improvement fund were \$148,197 higher in fiscal year 2012 as compared to fiscal year 2011. The increase was primarily in the area of operation and maintenance of plant and capital outlay.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2012, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue of \$9,822,308 was \$66,013 higher than the final budget basis revenue of \$9,756,295. Most of this difference is due to an underestimation of charges for services revenue.

Final expenditure appropriations of \$10,005,943 were \$225,583 higher than the actual expenditures of \$9,780,360, as cost savings were recognized for student support services throughout the year.

**East Palestine City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012 (Unaudited)*

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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2012, the School District had \$22,715,230 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

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

	Governmental Activities	
	2012	2011
Land	\$ 475,814	\$ 475,814
Land Improvements	2,646,848	2,817,612
Buildings and Building Improvements	19,151,341	19,736,588
Furniture and Equipment	232,546	232,796
Vehicles	208,681	141,928
<i>Totals</i>	\$ 22,715,230	\$ 23,404,738

The \$689,508 decrease in capital assets was attributable to current year depreciation exceeding additional purchases. See Note 7 for more information about the capital assets of the School District.

**Debt**

At June 30, 2012, the School District had \$1,518,689 in capital lease payable outstanding. See Notes 9 and 10 for additional details. Table 5 summarizes capital lease outstanding.

**(Table 5)**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2012	2011
Capital lease payable	\$ 1,518,689	\$ 1,810,398

**East Palestine City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012 (Unaudited)*

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***Current Issues***

The East Palestine City School District continues to receive strong support from the residents of the School District. The School District property tax levy is at the 20 mil floor and anticipates staying there.

Real estate and personal property tax collections have shown small decreases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Seven staff retirements has helped the bottom line since all were replaced with staff member having little or no experience.

The School District has also been affected by changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. An increase in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance has been difficult to budget with stagnate income.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The East Palestine City School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the East Palestine City School District. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rick Ellis, Treasurer of East Palestine City School District, 200 W. North Avenue, East Palestine, Ohio 44413 or [rick.ellis@EPSchools.k12.oh.us](mailto:rick.ellis@EPSchools.k12.oh.us).

**East Palestine City School District**

*Statement of Net Assets*

*June 30, 2012*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 1,800,981
Cash and Cash Equivalents in Segregated Accounts	296,112
Receivables:	
Intergovernmental	189,244
Property Taxes	3,048,684
Nondepreciable Capital Assets	475,814
Depreciable Capital Assets (Net)	<u>22,239,416</u>
<i>Total Assets</i>	<u>28,050,251</u>
<b>Liabilities</b>	
Accounts Payable	38,771
Accrued Wages and Benefits	812,032
Intergovernmental Payable	216,289
Matured Compensated Absences Payable	47,448
Accrued Interest Payable	13,390
Deferred Revenue	2,507,914
Long Term Liabilities:	
Due Within One Year	353,906
Due In More Than One Year	<u>1,584,772</u>
<i>Total Liabilities</i>	<u>5,574,522</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	21,196,541
Restricted For:	
Capital Outlay	598,638
Debt Service	43,301
Other Purposes	342,910
Unrestricted	<u>294,339</u>
<i>Total Net Assets</i>	<u>\$ 22,475,729</u>

See accompanying notes to the basic financial statements.

**East Palestine City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets
			Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 4,528,453	\$ 442,967	\$ 120,823	\$ (3,964,663)
Special	2,038,504	28,917	488,665	(1,520,922)
Vocational	36,692	0	1,389	(35,303)
Support Services:				
Pupils	605,687	0	0	(605,687)
Instructional Staff	377,530	0	5,400	(372,130)
Board of Education	28,488	0	0	(28,488)
Administration	681,624	0	40,465	(641,159)
Fiscal	264,452	0	0	(264,452)
Business	726,905	0	0	(726,905)
Operation and Maintenance of Plant	1,008,071	0	0	(1,001,215)
Pupil Transportation	749,177	0	22,107	(727,070)
Operation of Non-Instructional Services:				
Food Service Operations	497,116	156,894	383,965	43,743
Community Services	1,500	0	0	(1,500)
Extracurricular Activities	705,103	135,642	7,257	(562,204)
Debt Service:				
Interest and Fiscal Charges	97,349	0	0	(97,349)
<b>Total</b>	<b>\$ 12,346,651</b>	<b>\$ 764,420</b>	<b>\$ 1,070,071</b>	<b>\$ 6,856</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	2,210,421
Capital Outlay	550,604
Other Purposes	43,123
Grants and Entitlements Not Restricted to Specific Programs	7,234,159
Investment Earnings	7,910
Miscellaneous	58,390

*Total General Revenues* 10,104,607

*Change in Net Assets* (400,697)

*Net Assets Beginning of Year* 22,876,426

*Net Assets End of Year* \$ 22,475,729

See accompanying notes to the basic financial statements.

**East Palestine City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2012*

	General	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 1,199,262	\$ 238,505	\$ 363,214	\$ 1,800,981
Cash and Cash Equivalents in Segregated Accounts	17,733	0	278,379	296,112
Receivables:				
Interfund	42,214	0	0	42,214
Intergovernmental	28,492	0	160,752	189,244
Property Taxes	2,402,701	599,033	46,950	3,048,684
<i>Total Assets</i>	<u>\$ 3,690,402</u>	<u>\$ 837,538</u>	<u>\$ 849,295</u>	<u>\$ 5,377,235</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 35,219	\$ 0	\$ 3,552	\$ 38,771
Accrued Wages and Benefits	702,797	0	109,235	812,032
Intergovernmental Payable	213,566	0	2,723	216,289
Matured Compensated Absences Payable	47,448	0	0	47,448
Interfund Payable	0	0	42,214	42,214
Deferred Revenue	2,343,943	577,291	123,511	3,044,745
<i>Total Liabilities</i>	<u>3,342,973</u>	<u>577,291</u>	<u>281,235</u>	<u>4,201,499</u>
<b>Fund Balances</b>				
Restricted	0	260,247	626,238	886,485
Assigned	335,094	0	0	335,094
Unassigned	12,335	0	(58,178)	(45,843)
<i>Total Fund Balances</i>	<u>347,429</u>	<u>260,247</u>	<u>568,060</u>	<u>1,175,736</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,690,402</u>	<u>\$ 837,538</u>	<u>\$ 849,295</u>	<u>\$ 5,377,235</u>

See accompanying notes to the basic financial statements.

**East Palestine City School District**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*June 30, 2012*

<b>Total Governmental Fund Balances</b>		\$	1,175,736
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			22,715,230
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property Taxes	\$	430,119	
Intergovernmental		106,712	
Total			536,831
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.			(13,390)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Capital Lease		(1,518,689)	
Compensated Absences		(419,989)	
Total			(1,938,678)
<i>Net Assets of Governmental Activities</i>		\$	<u><u>22,475,729</u></u>

See accompanying notes to the basic financial statements.

**East Palestine City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	General	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 2,211,751	\$ 550,984	\$ 43,116	\$ 2,805,851
Intergovernmental	7,142,946	91,192	1,485,923	8,720,061
Investment Income	7,910	0	0	7,910
Tuition and Fees	304,778	0	0	304,778
Extracurricular Activities	31,131	0	104,511	135,642
Charges for Services	167,106	0	156,894	324,000
Contributions and Donations	1,409	0	7,257	8,666
Miscellaneous	58,372	0	22	58,394
<i>Total Revenues</i>	<u>9,925,403</u>	<u>642,176</u>	<u>1,797,723</u>	<u>12,365,302</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,795,915	19,600	401,222	4,216,737
Special	1,553,048	0	499,428	2,052,476
Vocational	36,692	0	0	36,692
Support Services:				
Pupils	600,747	0	0	600,747
Instructional Staff	245,986	92,084	21,105	359,175
Board of Education	25,960	0	0	25,960
Administration	625,311	0	51,160	676,471
Fiscal	245,165	14,189	762	260,116
Business	726,905	0	0	726,905
Operation and Maintenance of Plant	961,678	9,594	33,502	1,004,774
Pupil Transportation	616,062	90,501	25,182	731,745
Extracurricular Activities	216,245	0	92,041	308,286
Operation of Non-Instructional Services:				
Food Service Operations	0	0	492,899	492,899
Community Services	1,500	0	0	1,500
Capital Outlay	0	124,243	0	124,243
Debt Service:				
Principal Retirement	0	291,709	0	291,709
Interest and Fiscal Charges	0	91,962	0	91,962
<i>Total Expenditures</i>	<u>9,651,214</u>	<u>733,882</u>	<u>1,617,301</u>	<u>12,002,397</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>274,189</u>	<u>(91,706)</u>	<u>180,422</u>	<u>362,905</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	52,847	52,847
Transfers Out	(52,847)	0	0	(52,847)
<i>Total Other Financing Sources (Uses)</i>	<u>(52,847)</u>	<u>0</u>	<u>52,847</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	221,342	(91,706)	233,269	362,905
<i>Fund Balances Beginning of Year</i>	<u>126,087</u>	<u>351,953</u>	<u>334,791</u>	<u>812,831</u>
<i>Fund Balances End of Year</i>	<u>\$ 347,429</u>	<u>\$ 260,247</u>	<u>\$ 568,060</u>	<u>\$ 1,175,736</u>

See accompanying notes to the basic financial statements.

**East Palestine City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	362,905
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 131,854	
Current Year Depreciation	<u>(821,362)</u>	(689,508)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(1,703)	
Intergovernmental	<u>(427,205)</u>	(428,908)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		291,709
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when debt is issued.		
		(5,387)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>68,492</u>
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 <u><u>(400,697)</u></u>

See accompanying notes to the basic financial statements.

**East Palestine City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual*  
 General Fund  
 For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 2,185,748	\$ 2,207,000	\$ 2,185,748	\$ (21,252)
Intergovernmental	7,142,946	7,113,611	7,142,946	29,335
Tuition and Fees	304,778	329,432	304,778	(24,654)
Charges for Services	167,106	76,252	167,106	90,854
Contributions and Donations	1,409	5,000	1,409	(3,591)
Miscellaneous	20,321	25,000	20,321	(4,679)
<i>Total Revenues</i>	<u>9,822,308</u>	<u>9,756,295</u>	<u>9,822,308</u>	<u>66,013</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,032,586	4,032,586	3,805,953	226,633
Special	1,347,470	1,347,470	1,543,024	(195,554)
Vocational	41,150	41,150	36,311	4,839
Support Services:				
Pupils	594,640	594,640	609,869	(15,229)
Instructional Staff	213,904	214,154	275,347	(61,193)
Board of Education	30,565	30,565	25,951	4,614
Administration	663,186	663,186	651,722	11,464
Fiscal	274,032	274,032	259,847	14,185
Business	674,000	674,000	729,790	(55,790)
Operation and Maintenance of Plant	1,262,317	1,262,317	1,037,121	225,196
Pupil Transportation	670,748	670,748	629,092	41,656
Extracurricular Activities	196,595	196,595	173,333	23,262
Operation of Non-Instructional Services:				
Community Services	4,500	4,500	3,000	1,500
<i>Total Expenditures</i>	<u>10,005,693</u>	<u>10,005,943</u>	<u>9,780,360</u>	<u>225,583</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(183,385)</u>	<u>(249,648)</u>	<u>41,948</u>	<u>291,596</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	38,052	38,052	38,052	0
Advances In	115,000	115,000	115,000	0
Transfers In	0	65,000	0	(65,000)
Advances Out	0	(25,000)	(42,214)	(17,214)
Transfers Out	0	(50,000)	(52,847)	(2,847)
<i>Total Other Financing Sources (Uses)</i>	<u>153,052</u>	<u>143,052</u>	<u>57,991</u>	<u>(85,061)</u>
<i>Net Change in Fund Balance</i>	(30,333)	(106,596)	99,939	206,535
<i>Fund Balance Beginning of Year</i>	809,749	809,749	809,749	0
Prior Year Encumbrances Appropriated	156,498	156,498	156,498	0
<i>Fund Balance End of Year</i>	<u>\$ 935,914</u>	<u>\$ 859,651</u>	<u>\$ 1,066,186</u>	<u>\$ 206,535</u>

See accompanying notes to the basic financial statements.

**East Palestine City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2012*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 0	\$ 6,376
Cash and Cash Equivalents in Segregated Accounts	0	31,892
Investments in Segregated Accounts	71,344	0
<i>Total Assets</i>	<u>71,344</u>	<u>\$ 38,268</u>
<b>Liabilities</b>		
Accounts Payable	0	\$ 99
Due to Students	0	38,169
<i>Total Liabilities</i>	<u>0</u>	<u>\$ 38,268</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$ 71,344</u>	

See accompanying notes to the basic financial statements.

**East Palestine City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Private Purpose Trust
<b>Additions</b>	
Investment Earnings	\$ 37
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	2,533
<i>Change in Net Assets</i>	(2,496)
<i>Net Assets Beginning of Year</i>	73,840
<i>Net Assets End of Year</i>	\$ 71,344

See accompanying notes to the basic financial statements.

**East Palestine City School District**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year June 30, 2012*

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**Note 1: Nature of Basic Operations and Description of the Entity**

The East Palestine City School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District.

***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provides 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 School District is involved with the Area Cooperative Computerized Educational Service System (ACCESS) and Columbiana County Career Center, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17. The East Palestine Public Library and the East Palestine City School District Education Foundation are related organizations of the School District, which is presented in Note 16 to the basic financial statements. The School District is also involved with the Portage Area School Consortium Health and Welfare Insurance Pool, a shared risk pool, which is presented in Note 15.

Management believes the basic financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control.

**Note 2: Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The more significant of the School District’s accounting policies are shown below.

**East Palestine City School District**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year June 30, 2012*

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**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

**B. Fund Accounting**

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

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**East Palestine City School District**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year June 30, 2012*

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

**Permanent Improvement Fund** The permanent improvement fund accounts for all transactions relating to the acquiring, constructing or improving of permanent improvements.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

**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. The School District's trust funds include private purpose trust funds which account for scholarship programs for the students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

### ***C. Measurement Focus***

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

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

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

### ***D. Basis of Accounting***

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

**East Palestine City School District**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year June 30, 2012*

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

### ***E. Cash and Investments***

To improve cash management, all cash received by the School District is pooled. Monies for all funds (except for cash and investments in segregated accounts) are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the balance sheet.

At June 30, 2012, the School District's only investments were certificates of deposits and an overnight repurchase agreement.

**East Palestine City School District**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year June 30, 2012*

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Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$7,910, which includes \$3,873 assigned from other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

***F. Capital Assets***

General capital assets are those assets that result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land Improvements	20 Years
Buildings and Building Improvements	20 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 Years

***G. Interfund Balances***

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

***H. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

**East Palestine City School District**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year June 30, 2012*

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Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

The entire compensated absence liability is reported on the government-wide financial statements.

***I. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from internal service funds are reported on the proprietary fund financial statements.

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

***J. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2012, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities grants and extracurricular activities.

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

***K. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

**East Palestine City School District**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year June 30, 2012*

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

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

***L. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***M. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2012.

**East Palestine City School District**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year June 30, 2012*

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***N. Estimates***

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

***O. Budgetary Data***

All funds, other than agency funds, 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 sets annual limits on expenditures 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. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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

**Note 3: Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as assigned fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund:

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
GAAP Basis	\$ 221,342
Net Adjustment for Revenue Accruals	(33,912)
Advances In	115,000
Net Adjustment for Expenditure Accruals	(293,738)
Advances Out	(42,214)
Fund Budgeted Elsewhere**	11,387
Encumbrances	<u>122,074</u>
Budgetary Basis	<u>\$ 99,939</u>

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

**Note 4: Fund Deficits**

Fund balances at June 30, 2012 included the following individual fund deficits:

	<u>Deficit</u>
Other Governmental Funds:	
Education Jobs	\$ 56,094
Race to the Top	2,084

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

**Note 5: 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.

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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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies to 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature 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.

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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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2012, the School District and public depositories complied with the provisions of these statutes.

***Deposits with Financial Institutions***

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$2,080,182. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2012, \$1,345,855 of the School District's bank balance of \$2,127,775 was exposed to custodial risk as discussed above. \$781,920 was covered by Federal Deposit Insurance Corporation.

***Investments***

As of June 30, 2012, the School District had the following investment and maturity:

Investment Type	Fair Value	Investment Maturities 6 Months or Less
Repurchase Agreement	<u>\$ 126,523</u>	<u>\$ 126,523</u>

***Interest Rate Risk.*** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

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***Custodial Credit Risk.*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the School District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

***Credit Risk.*** The School District's investments in the federal agency securities that underlie the School District's repurchase agreement were Aaa by Moody's Investor Services. The School District has no investment policy that would further limit its investment choices.

***Concentration of Credit Risk.*** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreement	<u>\$ 126,523</u>	<u>100.00%</u>

***Cash in Segregated Accounts***

The School District places certain funds in separate bank accounts such as: food service, principal funds and student activities. These are part of the deposit pool, but are held in separate bank accounts.

**Note 6: Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Columbiana County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012 was \$87,250 in the general fund, \$21,742 in the permanent improvement capital projects fund and \$1,659 in the classroom facilities maintenance fund. The amount available as an advance at June 30, 2011, was \$61,247 in the general fund, \$15,296 in the permanent improvement capital projects fund and \$1,172 in the classroom facilities maintenance fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011		2012	
	Second-Half Collections		First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and other real estate	\$ 101,753,790	84%	\$ 102,254,190	84%
Commercial Industrial	13,964,410	11%	13,958,550	11%
Public Utility	6,051,890	5%	6,231,240	5%
<b>Total Assessed Value</b>	<b>\$ 121,770,090</b>	<b>100%</b>	<b>\$ 122,443,980</b>	<b>100%</b>
Tax rate per \$1,000 of assessed value		<u>\$ 26.80</u>		<u>\$ 26.80</u>

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**Note 7: Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2012 was as follows:

	Balance 6/30/2011	Additions	Reductions	Balance 6/30/2012
<b>Governmental Activities:</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 475,814	\$ 0	\$ 0	\$ 475,814
 <i>Capital Assets, Being Depreciated:</i>				
Land Improvements	3,584,787	0	0	3,584,787
Building and Building Improvements	26,446,548	0	0	26,446,548
Furniture and Equipment	717,179	41,353	0	758,532
Vehicles	816,429	90,501	(61,303)	845,627
<i>Total Capital Assets, Being Depreciated</i>	<u>31,564,943</u>	<u>131,854</u>	<u>(61,303)</u>	<u>31,635,494</u>
 <i>Less Accumulated Depreciation:</i>				
Land Improvements	(767,175)	(170,764)	0	(937,939)
Building and Building Improvements	(6,709,960)	(585,247)	0	(7,295,207)
Furniture and Equipment	(484,383)	(41,603)	0	(525,986)
Vehicles	(674,501)	(23,748)	61,303	(636,946)
<i>Total Accumulated Depreciation</i>	<u>(8,636,019)</u>	<u>(821,362) *</u>	<u>61,303</u>	<u>(9,396,078)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>22,928,924</u>	<u>(689,508)</u>	<u>0</u>	<u>22,239,416</u>
 <i>Governmental Activities Capital Assets, Net</i>	<u>\$ 23,404,738</u>	<u>\$ (689,508)</u>	<u>\$ 0</u>	<u>\$ 22,715,230</u>

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 381,398
Support Services:	
Instructional Staff	10,890
Board of Education	2,552
Operation and Maintenance	642
Pupil Transportation	21,256
Operation of Non-Instructional Services	4,256
Extracurricular Activities	400,368
Total Depreciation Expense	<u>\$ 821,362</u>

**Note 8: Receivables**

Receivables at June 30, 2012, consisted of taxes, interfund and intergovernmental (grants and State Employees Retirement System refund). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal Funds. All are expected to be received within one year.

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**Note 9: Long-Term Obligations**

The changes in the School District's long-term obligations during the fiscal year 2012 were as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due in One Year
Capital lease payable	\$ 1,810,398	\$ 0	\$ (291,709)	\$ 1,518,689	\$ 307,344
Compensated absences payable	488,481	27,927	(96,419)	419,989	46,562
<b>Total long-term obligations</b>	<b>\$ 2,298,879</b>	<b>\$ 27,927</b>	<b>\$ (388,128)</b>	<b>\$ 1,938,678</b>	<b>\$ 353,906</b>

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

**Note 10: Capitalized Leases – Lessee Disclosure**

During fiscal year 2007, the School District entered into a lease agreement with the All Points Public Funding LLC for the construction of a new stadium. At the time the School District entered into this lease, the stadium had not yet been constructed. As part of the agreement, All Points Public Funding LLC, as lessor, deposited \$2,950,000 in the project fund for the construction of the stadium. Amounts were paid to contractors at the discretion of the School District as the project progressed. The capital assets which were constructed under this lease have been capitalized in the amount of \$2,950,000. The interest rate on the capital lease is 5.29 percent.

The lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee.

A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment. The amortization schedule is based upon the repayment of the entire authorized amount of the lease. The first principal payment was made in fiscal year 2007.

The following is a schedule of the future long term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2012:

Year ending June 30,	2013	383,671
	2014	383,671
	2015	383,671
	2016	383,671
	2017	191,836
		<u>1,726,520</u>
Less: amount representing interest		<u>207,831</u>
Present value of minimum lease payments		<u>\$ 1,518,689</u>

**East Palestine City School District**  
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**Note 11: Defined Benefit Pension Plans**

***A. School Employees Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$158,576, \$161,318 and \$212,850, respectively; 53 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$540,299, \$541,495 and \$614,209, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$30,516 made by the School District and \$21,797 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**Note 12: Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$6,895, \$38,213, and \$26,341, respectively; 53 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$9,402, \$10,381, and \$12,658, respectively; 53 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

***B. State Teachers Retirement System***

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$41,561, \$41,653, and \$47,247, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**East Palestine City School District**  
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**Note 13: Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers 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 to a maximum of 260 days for all employees. Upon retirement, certificated employees receive payment for 25 percent of 144 accrued sick leave days plus 10 percent of all sick leave days accrued above and beyond the first 144 days up to the maximum accumulation. Classified employees receive payment for 25 percent of 135 days accrued sick leave days plus 10 percent of all sick leave days accrued above and beyond the first 135 days up to the maximum accumulation.

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to contracted employees through Safeco, Inc.

**Note 14: Statutory Reserves**

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

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

	Capital Acquisition
Set-Aside Reserve Balance June 30, 2011	\$ 0
Current Year Set Aside Requirement	217,369
Current Year Offsets	(685,215)
Total	\$ (467,846)
Balance Carried Forward to Fiscal Year 2013	\$ 0
Set Aside Reserve Balance June 30, 2012	\$ 0

Although the School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

**East Palestine City School District**  
*Notes To The Basic Financial Statements*  
For the Fiscal Year June 30, 2012

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**Note 15: Risk Management**

***A. General Insurance***

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2012, the School District has property and liability insurance coverage as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Building and contents – replacement coverage	\$ 1,000	\$ 50,044,898
Boiler and machinery – blanket limit	500	5,000,000
Crime insurance	500	25,000
Automobile liability	0	1,000,000
Uninsured motorists	0	1,000,000
General liability	0	1,000,000
Education liability:		
Per occurrence	0	1,000,000
Total per year	0	2,000,000
School Board Errors and Omissions		1,000,000
Umbrella	0	3,000,000

Settlements have not exceeded coverage in any of the last three fiscal years. There has been no significant reduction in insurance coverage from the prior year.

***B. Fidelity Bond***

The Treasurer is covered under a surety bond in the amount of \$25,000.

***C. Workers' Compensation***

The School District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The School District is a member of the Comp Management, Inc. Group Rating Program, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

***D. Employee Health Insurance***

On July 1, 2010, the School District joined the Portage Area School Consortium Health and Welfare Insurance Pool (the Consortium), a shared risk pool, through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating School Districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

**East Palestine City School District**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year June 30, 2012*

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**Note 16: Related Organizations**

The East Palestine Public Library (the “Library”) is a related organization to the School District. The school board members are responsible for appointing all the trustees of East Palestine Public Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during the fiscal year 2012.

The East Palestine City School District Education Foundation is also associated with the School District. The Foundation was formed in April of 2002 and is operated exclusively for charitable and educational purposes, to wit, for the purpose of making scholarships and improvements to the School District. The Foundation is a tax exempt trust as determined by 501(C)(3) of the Internal Revenue Code. The Foundation operates under an eleven member Board, consisting of the Superintendent and Treasurer of the School District as non-voting members, and nine persons residing or doing business within the District. Financial information on the Foundation can be obtained by contacting Rick Ellis, Treasurer, East Palestine School District, 200 West North Avenue, East Palestine, Ohio 44413.

**Note 17: Jointly Governed Organizations**

***A. Area Cooperative Computerized Education Service System (ACCESS)***

ACCESS is a jointly governed organization comprised of 26 public school districts, 2 educational service centers, 20 non-public schools, and 2 special education regional resource centers. The jointly governed 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 districts. The seven member board of governors consists of the two superintendents and one treasurer from each county (Columbiana and Mahoning). The degree of control exercised by any participating school district is limited to its representation on the board. Mahoning County Educational Service Center is the fiscal agent for ACCESS. The assembly exercises total control over operating of the consortium including budgeting, appropriating, contracting, and designating management. All the consortium revenues are generated from charges for services and State funding. Financial information can be obtained by writing to: Mahoning County Educational Service Center, Treasurer’s Office, 2801 Market Street, Room 202, Youngstown, Ohio 44507-1693. The continued existence of ACCESS is not dependent upon the School District’s continued participation and no measurable equity interest exists. The School District paid \$29,780 for services provided during fiscal year 2012.

**East Palestine City School District**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year June 30, 2012*

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**B. Columbiana County Career Center**

The Career Center, a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the School District's continued participation and no measurable equity interest exists.

The School District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

**Note 18: Interfund Activity**

**A. Interfund Balances**

Interfund balances at June 30, 2012 consist of the following:

	Interfund Receivables	Interfund Payables
General Fund	\$ 42,214	\$ 0
<i>Nonmajor Governmental Funds:</i>		
Education Jobs	0	6,000
Race to the Top	0	5,714
Title I	0	30,000
Title II-A	0	500
Total	\$ 42,214	\$ 42,214

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

**B. Interfund Transfers**

The general fund transferred \$36,673 to the IDEA Part B fund, \$7,015 to the Title I fund and \$9,159 to the Title II-A fund to move unrestricted resources to help finance these programs.

**Note 19: Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

**East Palestine City School District**  
*Notes To The Basic Financial Statements*  
For the Fiscal Year June 30, 2012

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

	General	Permanent Improvement	Other Governmental Funds	Total
Restricted for:				
Capital Projects	\$ 0	\$ 260,247	\$ 337,189	\$ 597,436
Other Purposes	0	0	289,049	289,049
Total Restricted	0	260,247	626,238	886,485
Assigned for:				
Encumbrances:				
Instruction	17,868	0	0	17,868
Support Services	75,810	0	0	75,810
Extracurricular	821	0	0	821
Subsequent Year Appropriations	240,595	0	0	240,595
Total Assigned	335,094	0	0	335,094
Unassigned	12,335	0	(58,178)	(45,843)
<i>Total Fund Balance</i>	\$ 347,429	\$ 260,247	\$ 568,060	\$ 1,175,736

**Note 20 - Contingencies**

**A. Review of Statewide Attendance Data**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**B. 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**C. Litigation**

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

**EAST PALESTINE CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program		10.553	\$67,901		\$67,901	
National School Lunch Program		10.555	276,468	\$31,617	276,468	\$31,617
Total U.S. Department of Agriculture			<u>344,369</u>	<u>31,617</u>	<u>344,369</u>	<u>31,617</u>
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1-S1 2011	84.010	84,006		49,245	
Title I Grants to Local Educational Agencies	C1-S1 2012	84.010	248,396		265,158	
ARRA - Title I Part A	ARRA	84.389	20,246		15,615	
Total Title I Grants to Local Agencies			<u>352,648</u>		<u>330,018</u>	
IDEA, Part B Grant	6B-SF-2011	84.027	2,776		2,776	
IDEA, Part B Grant	6B-SF-2012	84.027	243,436		240,720	
ARRA - IDEA, Part B Grant	ARRA	84.391	20,783		16,933	
Total IDEA, Part B Grant			<u>266,995</u>		<u>260,429</u>	
Title II-A Grant	TR-S1-2010	84.367	-		446	
Title II-A Grant	TR-S1-2011	84.367	11,074		13,160	
Title II-A Grant	TR-S1-2012	84.367	55,010		55,483	
Total Title II-A Grant			<u>66,084</u>		<u>69,089</u>	
Education Jobs		84.410	309,109		314,844	
Total Education Jobs			<u>309,109</u>		<u>314,844</u>	
Title II-D Grant	TJ-S1-2011	84.318	-		510	
Title II-D Technology		84.318	3,090		3,090	
ARRA - Title II-D Technology Grant	ARRA	84.386	22,440		-	
Total Title II-D Grant			<u>25,530</u>		<u>3,600</u>	
ARRA - Race To The Top 2012	ARRA	84.395	9,286		11,370	
ARRA - Race To The Top 2012	ARRA	84.395	1,050		1,050	
Total Race to the Top			<u>10,336</u>		<u>12,420</u>	
<b>Total Federal Expenditures</b>			<u>\$ 1,375,071</u>	<u>\$ 31,617</u>	<u>\$ 1,334,769</u>	<u>\$ 31,617</u>

*The accompanying notes are an integral part of this schedule.*

**EAST PALESTINE CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

East Palestine City School District  
Columbiana County  
200 W. North Avenue  
East Palestine, Ohio 44413

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Palestine City School District, Columbiana County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 27, 2012.

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

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

**Dave Yost**  
Auditor of State

December 27, 2012



# Dave Yost • Auditor of State

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

East Palestine City School District  
Columbiana County  
200 W. North Avenue  
East Palestine, Ohio 44413

To the Board of Education:

### Compliance

We have audited the compliance of East Palestine City School District, Columbiana County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the East Palestine City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

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

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

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

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



**Dave Yost**  
Auditor of State

December 27, 2012

**EAST PALESTINE CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

**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 control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Ed Jobs – CFDA #84.410 Nutrition Cluster – CFDA #10.553 & 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None Noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None Noted

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# Dave Yost • Auditor of State

**EAST PALESTINE CITY SCHOOL DISTRICT**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 12, 2013**