



Dave Yost • Auditor of State

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

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**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Eastern Local School District, Pike County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregateremaining fund information of Eastern Local School District, Pike County, Ohio, as of and for the ended June 30, 2017, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2018, on our consideration of the 's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio
January 17, 2018

Eastern Local School District
Statement of Net Position - Cash Basis
As of June 30, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,702,538</u>
<i>Total Assets</i>	6,702,538
Net Position	
Restricted for:	
Debt Service	382,579
Other Purposes	381,876
Set-Asides	12,769
Unrestricted	<u>5,925,314</u>
<i>Total Net Position</i>	<u><u>\$6,702,538</u></u>

See accompanying notes to the basic financial statements.

Eastern Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2017

	<u>Program Cash Receipts</u>			Net (Cash Disbursements) Cash Receipts and Changes in Net Position
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction:				
Regular	\$4,590,591	\$444,261	\$466,512	(\$3,679,818)
Special	1,898,200	182,625	887,843	(827,732)
Vocational	360,675	29,835	189,724	(141,116)
Student Intervention Services	44,587	2,624	18,356	(23,607)
Other	1,058,935	113,455	0	(945,480)
Support Services:				
Pupils	537,005	71,629	2,315	(463,061)
Instructional Staff	157,276	16,851	0	(140,425)
Board of Education	164,627	17,638	0	(146,989)
Administration	799,189	83,259	48,386	(667,544)
Fiscal	278,988	29,812	0	(249,176)
Operation and Maintenance of Plant	819,310	83,369	28,630	(707,311)
Pupil Transportation	971,244	104,054	0	(867,190)
Central	23,555	255	20,405	(2,895)
Operation of Non-Instructional Services	484,820	26,908	510,122	52,210
Extracurricular Activities	208,558	73,286	5,150	(130,122)
Capital Outlay	274,187	0	0	(274,187)
Debt Service				
Principal	55,629	0	0	(55,629)
Interest and Fiscal Charges	74,831	0	0	(74,831)
<i>Total Governmental Activities</i>	<u>\$12,802,207</u>	<u>\$1,279,861</u>	<u>\$2,177,443</u>	(9,344,903)
General Cash Receipts				
Property Taxes Levied for:				
General Purposes				1,161,654
Debt Service				57
Classroom Facilities Maintenance				18,495
Grants and Entitlements not Restricted to Specific Programs				9,553,635
Investment Earnings				25,479
Gifts and Donations				10,000
Miscellaneous				41,797
<i>Total General Cash Receipts</i>				<u>10,811,117</u>
<i>Change in Net Position</i>				1,466,214
<i>Net Position Beginning of Year</i>				<u>5,236,324</u>
<i>Net Position End of Year</i>				<u>\$6,702,538</u>

See accompanying notes to the basic financial statements.

Eastern Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
As of June 30, 2017

	General Fund	All Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,575,790	\$708,838	\$6,284,628
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	12,769	0	12,769
<i>Total Assets</i>	<u>\$5,588,559</u>	<u>\$708,838</u>	<u>\$6,297,397</u>
Fund Balances			
Restricted	\$12,749	\$764,455	\$777,204
Committed	127,804	0	127,804
Assigned	41,624	0	41,624
Unassigned (Deficit)	5,406,382	(55,617)	5,350,765
<i>Total Fund Balances</i>	<u>\$5,588,559</u>	<u>\$708,838</u>	<u>\$6,297,397</u>

See accompanying notes to the basic financial statements.

Eastern Local School District
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
As of June 30, 2017*

Total Governmental Fund Balances \$6,297,397

Amounts reported for governmental activities in the statement of net position are different because:

An internal service fund is used by management to charge the cost of insurance to individuals. The cash and cash equivalents of the internal service fund are included in governmental activities in the statement of net position.

405,141

Net Position of Governmental Activities

\$6,702,538

See accompanying notes to the basic financial statements.

Eastern Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	All Other Governmental Funds	Total Governmental Funds
Cash Receipts			
Property Taxes	\$1,161,654	\$18,552	\$1,180,206
Intergovernmental	10,324,842	1,397,271	11,722,113
Interest	24,896	583	25,479
Tuition and Fees	1,171,762	0	1,171,762
Rent	4,050	0	4,050
Extracurricular Activities	10,085	56,825	66,910
Gifts and Donations	12,315	6,650	18,965
Customer Sales and Services	6,367	30,772	37,139
Miscellaneous	37,458	4,339	41,797
<i>Total Cash Receipts</i>	12,753,429	1,514,992	14,268,421
Cash Disbursements			
Current:			
Instruction:			
Regular	4,146,557	477,962	4,624,519
Special	1,704,539	193,661	1,898,200
Vocational	278,468	82,207	360,675
Student Intervention Services	24,487	20,100	44,587
Other	1,058,935	0	1,058,935
Support Services:			
Pupils	537,005	0	537,005
Instructional Staff	157,276	0	157,276
Board of Education	164,627	0	164,627
Administration	753,373	45,816	799,189
Fiscal	278,248	740	278,988
Operation and Maintenance of Plant	764,091	55,219	819,310
Pupil Transportation	971,191	53	971,244
Central	2,380	21,175	23,555
Operation of Non-Instructional Services	1,695	483,125	484,820
Extracurricular Activities	153,642	54,916	208,558
Capital Outlay	274,187	0	274,187
Debt Service:			
Principal	25,629	30,000	55,629
Interest and Fiscal Charges	8,486	66,345	74,831
<i>Total Cash Disbursements</i>	11,304,816	1,531,319	12,836,135
<i>Net Change in Fund Balances</i>	1,448,613	(16,327)	1,432,286
<i>Fund Balances at Beginning of Year</i>	4,139,946	725,165	4,865,111
<i>Fund Balances at End of Year</i>	\$5,588,559	\$708,838	\$6,297,397

See accompanying notes to the basic financial statements.

Eastern Local School District
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds \$1,432,286

Amounts reported for governmental activities in the statement of activities are different because:

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipt (disbursement) of the internal service fund is allocated among the governmental activities.

33,928

Net Change in Net Position of Governmental Activities

\$1,466,214

See accompanying notes to the basic financial statements.

Eastern Local School District
Statement of Receipts, Disbursements and Change in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts				
Property Taxes	\$1,218,776	\$1,161,654	\$1,161,654	\$0
Intergovernmental	10,367,033	10,324,842	10,324,842	0
Interest	14,000	24,896	24,896	0
Tuition and Fees	799,600	1,171,762	1,171,762	0
Rent	8,100	4,050	4,050	0
Gifts and Donations	0	10,000	10,000	0
Miscellaneous	30,000	37,458	37,458	0
<i>Total Receipts</i>	12,437,509	12,734,662	12,734,662	0
Disbursements				
Current:				
Instruction:				
Regular	4,350,380	4,163,109	4,163,107	2
Special	1,676,860	1,704,539	1,704,539	0
Vocational	251,346	279,978	279,978	0
Student Intervention Services	26,977	24,487	24,487	0
Other	1,129,795	1,058,935	1,058,935	0
Support Services:				
Pupils	508,296	516,412	516,412	0
Instructional Staff	164,999	157,276	157,276	0
Board of Education	41,431	166,577	166,577	0
Administration	717,726	753,858	753,858	0
Fiscal	287,986	278,248	278,248	0
Operation and Maintenance of Plant	716,789	772,037	772,037	0
Pupil Transportation	908,889	971,191	971,191	0
Central	20,100	2,380	2,380	0
Operation of Noninstructional Services	0	1,695	1,695	0
Extracurricular Activities	157,738	153,642	153,642	0
Capital Outlay	136,251	364,525	364,524	1
Debt Service:				
Principal	25,582	25,629	25,629	0
Interest	8,533	8,486	8,486	0
<i>Total Disbursements</i>	11,129,678	11,403,004	11,403,001	3
<i>Net Change in Fund Balances</i>	1,307,831	1,331,658	1,331,661	3
<i>Fund Balances at Beginning of Year</i>	4,081,690	4,081,690	4,081,690	0
<i>Prior Year Encumbrances Appropriated</i>	37,014	37,014	37,014	0
<i>Fund Balances at End of Year</i>	<u>\$5,426,535</u>	<u>\$5,450,362</u>	<u>\$5,450,365</u>	<u>\$3</u>

See accompanying notes to the basic financial statements.

Eastern Local School District
Statement of Fund Net Position - Cash Basis
Proprietary Fund
As of June 30, 2017

	Governmental Activities - Internal Service Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$405,141</u>
<i>Total Assets</i>	405,141
Net Position	
Unrestricted	<u>405,141</u>
<i>Total Net Position</i>	<u><u>\$405,141</u></u>

See accompanying notes to the basic financial statements.

Eastern Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities - Internal Service Fund
Operating Cash Receipts	
Charges for Services	\$467,032
<i>Total Operating Cash Receipts</i>	467,032
Operating Cash Disbursements	
Purchased Services	432,909
Other	195
<i>Total Operating Cash Disbursements</i>	433,104
<i>Net Change in Net Position</i>	33,928
<i>Net Position at Beginning of Year</i>	371,213
<i>Net Position at End of Year</i>	<u><u>\$405,141</u></u>

See accompanying notes to the basic financial statements.

Eastern Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
As of June 30, 2017

	Private Purpose Trust Fund	Agency Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,198	\$41,800
<i>Total Assets</i>	12,198	41,800
Net Position		
Held in Trust for Scholarships	12,198	0
Unrestricted	0	41,800
<i>Total Net Position</i>	\$12,198	\$41,800

See accompanying notes to the basic financial statements.

Eastern Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	<u>Private Purpose Trust Fund</u>
Additions	
Interest	<u>\$59</u>
<i>Total Additions</i>	<u>59</u>
<i>Change in Net Position</i>	59
<i>Net Position at Beginning of Year</i>	<u>12,139</u>
<i>Net Position at End of Year</i>	<u><u>\$12,198</u></u>

See accompanying notes to the basic financial statements.

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Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 – Description of the District and Reporting Entity

Eastern Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines. The District was established in 1960 through the consolidation of existing land areas and school districts. The District serves an area of approximately 85 square miles. It is located in Pike County, and includes all of the Villages of Beaver and Stockdale and portions of Marion, Union, and East Jackson Townships in Pike County, Madison Township in Scioto County and Liberty Township in Jackson County. It is staffed by 55 noncertificated employees, 64 certificated full-time teaching personnel, and 6 administrators who provide services to 916 students and other community members. The District currently operates one instructional building which houses grades Kindergarten through 12.

Reporting Entity

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

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

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

- Village of Beaver
- Ross-Pike County Educational Service District

The District participates in two organizations, one of which is defined as a jointly governed organization and one as a group purchasing pool. These organizations are the South Central Ohio Computer Association Council of Governments and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 10 and 11 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Government-wide Financial Statements

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

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

Fund Accounting

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

Governmental Funds

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

General Fund

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

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating cash receipts over (under) cash disbursements, changes in net cash position, and cash basis financial position. Proprietary funds are classified as enterprise or internal service; the District has no enterprise funds and one internal service fund.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Internal Service Fund

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for the self-insurance program for employee dental claims and the administration of a health reimbursement arrangement.

Fiduciary Funds

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

Basis of Accounting

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

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

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

Cash Receipts – Exchange and Non-Exchange Transactions

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

Cash Disbursements

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

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2017 amounted to \$24,896. \$583 was recorded in the food service nonmajor special revenue fund, and \$59 was recorded in the scholarships private purpose trust fund.

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 cash equivalents.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include amounts required to be set-aside for capital acquisitions or improvements which is further discussed in note 12.

Capital Assets

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

Eastern Local School District
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For the Fiscal Year Ended June 30, 2017

Interfund Activity

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. Interfund transfers between governmental activities are eliminated in the statement of activities. Flows of cash from one fund to another with a requirement for repayment are reported as advances. Advances between governmental activities are eliminated in the statement of activities. The District did not transfer or advance between funds during fiscal year 2017.

Compensated Absences

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

Long-Term Obligations

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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. The District reported no nonspendable fund balances at June 30, 2017.

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 – This fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District's Board of Education. Those committed amounts cannot be used for any other purpose unless the District's 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 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 would represent intended uses established by the District's Board of Education.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

The District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

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

At June 30, 2017, none of the District's restricted net position was restricted by enabling legislation.

Operating Cash Receipts and Cash Disbursements

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

Pensions

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

Note 3 – Deposits and Investments

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or 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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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 District, and must be purchased with the expectation that it will be held to maturity.

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

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

As of June 30, 2017, the District’s bank balance of \$6,858,567 is either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

Note 4 – Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax receipts received in calendar year 2017 represent collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2017 represent collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected in 2017 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.

The District receives property taxes from Pike, Jackson, and Scioto Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second half real property tax payments collected by the Counties by June 30, 2017 are available to finance fiscal year 2017 operations. The amounts available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2017 taxes were collected are:

	2016 Second-Half Collections		2017 First-Half Collections	
	Amount	Percent	Amount	Percent
Agriculture/Residential And Other Real Estate	\$56,546,880	88.29%	\$57,517,640	88.47%
Public Utility	7,497,590	11.71%	7,497,600	11.53%
Total Assessed Value	\$64,044,470	100.00%	\$65,015,240	100.00%
Tax Rate per \$1,000 of Assessed valuation	\$23.001		\$23.001	

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 5 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District contracted with Argonaut Insurance Company for property, fleet, and professional liability insurance coverage. Coverages provided are as follows:

Building and Contents (\$2,500 deductible)	\$35,954,000
Boiler and Machinery (\$2,500 deductible)	35,954,000
Personal Property (\$2,500 deductible)	4,100,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

During fiscal year 2017, the District contracted with Cincinnati Insurance Company for the Treasurer’s public officials bond in the amount of \$20,000. Other officials are covered by a blanket bond provided by Argonaut Insurance Company.

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

For fiscal year 2017, the District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP), a group purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “equity pooling fund”. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

The District is self-insured for employee dental insurance. The self-insurance fund pays covered claims to service providers. Interfund rates are charged based on claims approved by the claims administrator. A comparison of self-insurance fund cash to the estimated liability as of June 30 follows:

	2017	2016
Cash	\$106,005	\$98,096
Estimated Liabilities	4,932	6,517

Note 6 – Defined Benefit Pension Plans

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations.

The District’s contractually required contributions to SERS were \$206,160, \$189,336, and \$158,301 for fiscal years 2017, 2016, and 2015, respectively.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate increased one percent on July 1, 2014, July 1, 2015, and July 1, 2016, when it reached 14 percent. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

Eastern Local School District
Notes to the Basic Financial Statements
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The District's contractually required contributions to STRS were \$596,628, \$521,472, and \$499,140 for fiscal years 2017, 2016, and 2015, respectively.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,112,745	\$11,625,258	\$14,738,003
Proportion of the Net Pension Liability	0.0425292%	0.03473024%	

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation		3.00 percent
Future Salary Increases, including inflation		3.50 percent to 18.20 percent
COLA or Ad Hoc COLA		3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	
Actuarial Cost Method		Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table set back five years for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$4,121,080	\$3,112,745	\$2,268,726

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Eastern Local School District
Notes to the Basic Financial Statements
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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study effective July 1, 2012.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 100.00 %	 7.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$15,449,024	\$11,625,258	\$8,399,687

Eastern Local School District
Notes to the Basic Financial Statements
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Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the District's net pension liability is expected to be significant.

Note 7 – Postemployment Benefits

School Employees Retirement System

Postemployment Benefits

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a post-employment benefit plan.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board may allocate the remainder of the employer 14 percent contribution to the Health Care Fund in accordance with the funding policy. For the years ended June 30, 2017, 2016, and 2015, the health care allocations were 0 percent, 0 percent, and 0.82 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2014 were \$0, \$20,918, and \$22,565, respectively.

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

The financial report of SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System

Plan Description

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan, a self-directed defined contribution plan, and a combined plan that is a hybrid of the defined benefit plan and the defined contribution plan.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent comprehensive annual financial report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016, and 2015. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0.

Note 8 – Employee Benefits

Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for teachers and administrators and 220 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit.

Insurance

The District provides life insurance and accidental death and dismemberment to all employees through American United Life Insurance Company. The District provides employee medical/surgical benefits through Medical Mutual of Ohio. Prescription drug benefits are provided through ExpressScripts. The employees share the cost of the monthly premium with the Board. The premium is consistent among single rates and family rates with employees paying 15 percent and the District paying 85 percent.

Deferred Compensation

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

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 – Long-Term Debt

Under the cash basis of accounting, the District does not record debt as a liability in the accompanying basic financial statements. However, in order to provide meaningful information regarding debt to readers of these basic financial statements, the District has elected to present the following information. The changes in the District’s long-term debt during fiscal year 2017 were as follows:

	Debt Outstanding 6/30/16*	Additions	Deductions	Debt Outstanding 6/30/17	Due in One Year
2010 Energy Conservation Improvement Bonds – 3.25%	\$262,643	\$0	\$25,629	\$237,014	\$26,414
2011 School Improvement Refunding Bonds – Term – 2.00% - 3.30%	365,000	0	0	365,000	85,000
2011 School Improvement Refunding Bonds – Capital Appreciation	30,000	0	30,000	0	0
2011 School Improvement Refunding Bonds – Capital Appreciation Accretion	47,520	7,480	55,000	0	0
Total	\$705,163	\$7,480	\$110,629	\$602,014	\$111,414

*Restated to correct an error in previously reported accretion.

2010 Energy Conservation Improvement Bonds - On February 16, 2010, the District issued \$400,000 in unvoted energy conservation improvement bonds for the purpose of installations, modifications and remodeling to reduce energy consumption by the District. The bonds were issued for a fifteen year period with a final maturity during fiscal year 2025. The bonds will be retired from the general fund.

2011 School Improvement Refunding Bonds - On March 24, 2011, the District issued \$525,000 in voted general obligation refunding bonds for the purpose of refunding a portion of the 1998 School Improvement General Obligations Bonds. The bonds issued include term and capital appreciation bonds in the amounts of \$495,000 and \$30,000, respectively. The capital appreciation bonds matured in fiscal year 2017. The maturity amount of the bonds was \$85,000. The term and capital appreciation bonds will be repaid from the bond retirement fund.

The bonds due on December 1, 2018 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2017 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year	Amount
2017	\$85,000

Unless otherwise called for redemption, the remaining \$90,000 principal amount of the bonds due December 1, 2018 is to be paid at stated maturity.

The bonds due on December 1, 2020 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2019 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year	Amount
2019	\$95,000

Unless otherwise called for redemption, the remaining \$95,000 principal amount of the bonds due December 1, 2020 is to be paid at stated maturity.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Principal and interest requirements to retire general obligation debt at June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$111,414	\$17,814	\$129,228
2019	117,272	14,418	131,690
2020	123,159	10,659	133,818
2021	124,074	6,609	130,683
2022	30,019	4,097	34,116
2023-2025	96,076	6,310	102,386
Total	\$602,014	\$59,907	\$661,921

The District's overall legal debt margin was \$5,868,951 with an unvoted debt margin of \$65,015 at June 30, 2017.

Note 10 – Group Purchasing Pool

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

Note 11 – Jointly Governed Organization

South Central Ohio Computer Association Council of Governments - The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG), which is organized under Ohio Revised Code Chapter 167 as a council of governments. SCOCA COG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county in the SCOCA COG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCA COG including budgeting, appropriating, contracting, and designating management. Each district’s degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCA COG entered into a merger agreement with Metropolitan Educational Technology Association (META). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCA COG, and once these remaining liabilities are satisfied, SCOCA COG will be dissolved and the member districts will become members of META. SCOCA COG entered into a subcontract agreement with META to provide services to SCOCA COG, and on behalf of SCOCA COG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCA COG is currently governed by a four person executive governing board. The District paid SCOCA COG \$57,740 for services provided during the fiscal year. The District also paid META \$106,405 for internet and voice over IP services during the fiscal year.

Note 12 – Set-Aside Calculations and Fund Balance Restrictions

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

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2016	\$14,775
Current year set-aside requirement	159,866
Current year offsets	(18,552)
Qualifying disbursements	<u>(143,320)</u>
Total	<u>\$12,769</u>
Set-aside balance carried forward to future fiscal years	<u>\$12,769</u>
Set-aside balance as of June 30, 2017	<u>\$12,769</u>

The District's Board additionally committed a portion of fund balance in the general fund for the purpose of capital disbursements. The total amount committed at June 30, 2017 was \$98,633.

Note 13 - Contingencies

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

State Foundation Funding

School District funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District. Therefore, the overall financial statement impact is not determinable at this time.

Litigation

At June 30, 2017, the District was not party to legal proceedings.

Note 14 - Compliance

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

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental fund and all other governmental funds are presented below:

	General	All Other Governmental Funds	Total Governmental Funds
<i>Restricted for</i>			
Capital Improvements and Maintenance	\$0	\$141,466	\$141,466
Food Service	0	202,456	202,456
Other Purposes	0	1,850	1,850
Extracurricular Activities	0	36,104	36,104
Debt Service	0	382,579	382,579
Set-Asides	12,769	0	12,769
<i>Total Restricted</i>	12,769	764,455	777,224
<i>Committed to</i>			
Capital Improvements and Maintenance	98,633	0	98,633
Other Purposes	29,171	0	29,171
<i>Total Committed</i>	127,804	0	127,804
<i>Assigned to</i>			
Public School Support	17,904	0	17,904
Other Purposes	23,720	0	23,720
<i>Total Assigned</i>	41,624	0	41,624
<i>Unassigned (Deficit)</i>	5,406,362	(55,617)	5,350,745
<i>Total Fund Balances</i>	\$5,588,559	\$708,838	\$6,297,397

Note 16 – Budgetary Basis Fund Balances

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. In addition, as part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund for financial reporting purposes. This includes the public school support fund. Since this fund is budgeted separately, it is not included in the budgetary presentation for the general fund.

The table below presents those differences for the District’s general fund:

	General Fund
Budgetary basis fund balance	\$5,450,365
Encumbrances	120,197
Fund balance of funds combined with general fund for reporting purposes	17,997
Cash basis fund balance	\$5,588,559

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 17 – Commitments

Encumbrances

At June 30, 2017, the District had encumbrance commitments in the governmental funds as follows:

Major Fund	
General	\$120,818
Other Governmental Funds	
Lunchroom	260
Classroom Facilities Maintenance	13
Athletics	6,629
Public School Preschool	11,538
Title VI-B	609
Title II-A	625
Total Other Governmental Funds	<u>19,674</u>
Total	<u>\$140,492</u>

Contracts

The District has a contract with Robert A. Wilson Construction LLC for the New Field House project in the amount of \$210,524. As of June 30, 2017, \$143,218 had been paid on this contract.

Note 18 – Accountability

At June 30, 2017, the District had the following deficit fund balances:

Title VI-B	\$18,263
Title I	30,325
Title II-A	5,254
Title II-D	1,775

These deficits occurred as a result of spending of grant funds prior to processing requests for reimbursement.

Note 19 – New Accounting Pronouncements

For the fiscal year ended June 30, 2017, the District was required to implement Governmental Accounting Standards Board Statements No. 74, “Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans,” No. 77, “Tax Abatement Disclosures,” No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” No. 80, “Blending Requirements for Certain Component Units,” and No. 82, “Pension Issues.”

GASB Statement No. 74 replaces GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

Eastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

GASB Statement No. 77 requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues.

GASB Statement No. 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No. 80 clarifies the display requirements in GASB Statement No. 14, "The Financial Reporting Entity," by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements.

GASB Statement No. 82 addresses, among other things, presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73.

None of these Statements had an impact on the District's financial statements or note disclosures.

Note 20 – Subsequent Event

META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. Metropolitan Dayton Educational Cooperative Association (MDECA) and Southeastern Ohio Voluntary Education Cooperative (SEOVEC) also merged with META Solutions on January 4, 2016. META Solutions develops, implements, and supports the technology and instructional needs of schools and provides instructional, core, technology, and purchasing services for its member districts. The Board of Directors consists of eight members from member districts. The South Central Ohio Computer Association Council of Governments is in the process of merging with META Solutions; however as of the date of this financial report, the merger has not yet been fully completed.

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	3L70	253,215
National Lunch Program	10.555	3L60	323,007
National Lunch Program- Non-Cash Assistance	10.555	3L60	9,645
Total Child Nutrition Cluster			<u>585,867</u>
Total U.S. Department of Agriculture			<u>585,867</u>
U.S. DEPARTMENT OF Education			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education- Grants to State	84.027	3M20	198,628
Total Special Education Cluster			<u>198,628</u>
Title I	84.010	3M00	368,300
Rural Educaion	84.358	3Y80	20,459
Improving Teacher Quality State Grants	84.367	3Y60	68,052
Total U.S. Department of Education			<u>655,439</u>
Total Expenditures of Federal Awards			<u>\$1,241,306</u>

The accompanying notes are an integral part of this schedule.

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Eastern Local School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – 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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Pike County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2018 wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

District's Response to Findings

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

January 17, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Eastern Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Eastern Local School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Eastern Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 17, 2018

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control 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)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster (CFDA #10.553, 10.555)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2017-001

Noncompliance

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

Ohio Admin. Code Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles.

**FINDING NUMBER 2017-001
(Continued)**

The School District did not prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). The School District prepared its financial statements in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while presumably material, cannot be reasonably determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District is subject to fines and various other administrative remedies. The District should consider filing on a GAAP basis in order to comply with state regulations.

Officials' Response:

District officials do not believe that preparing financial statements in accordance with generally accepted accounting principles is cost-beneficial. As in the past, it is our belief that the extra costs associated with GAAP are unnecessary. Those funds are better spent serving the needs of the children in the Eastern Local School District.

**EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance with ORC Section 117.38 and OAC Section 117-2-03 – Annual Financing Report	Not Corrected	Reissued as 2017-001

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EASTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	District officials do not believe that preparing financial statements in accordance with generally accepted accounting principles is cost-beneficial.	No plans to correct at this time.	Rodney Schilling, Treasurer/CFO

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Dave Yost • Auditor of State

EASTERN LOCAL SCHOOL DISTRICT

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 6, 2018**