



OHIO AUDITOR OF STATE
KEITH FABER



**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY
JUNE 30, 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) General Fund.....	19
Statement of Fund Net Position Self-Insurance Internal Service Fund	20
Statement of Revenues, Expenses and Changes in Fund Net Position Self-Insurance Internal Service Fund	21
Statement of Cash Flows Self-Insurance Internal Service Fund	22
Statement of Fiduciary Assets and Liabilities Agency Fund	23
Notes to the Basic Financial Statements	25

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY
JUNE 30, 2018**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability - School Employees Retirement System of Ohio Last Five Fiscal Years.....	65
Schedule of the School District's Proportionate Share of the Net Pension Liability – State Teachers Retirement System of Ohio Last Five Fiscal Years.....	66
Schedule of the School District's Proportionate Share of the Net OPEB Liability - School Employees Retirement System of Ohio Last Two Fiscal Years.....	67
Schedule of the School District's Proportionate Share of the Net OPEB Liability – State Teachers Retirement System of Ohio Last Two Fiscal Years.....	68
Schedule of the School District's Contributions – School Employees Retirement System of Ohio – Last Ten Fiscal Years	70
Schedule of the School District's Contributions – State Teachers Retirement System of Ohio – Last Ten Fiscal Years.....	72
Notes to Required Supplementary Information.....	75
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	77
Prepared by Management:	
Summary Schedule of Prior Audit Findings	79

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 School 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 School 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Meigs County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 12, 2019

Eastern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The discussion and analysis of the Eastern Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2018 are as follows:

- Net position of governmental activities increased \$4,739,699.
- General revenues accounted for \$8,173,498 in revenue or 78% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,266,206 or 22% of total revenues of \$10,439,704.
- Total assets of governmental activities increased \$437,361, while total liabilities decreased \$3,723,353.
- The School District had \$5,700,005 in expenses related to governmental activities; \$2,266,206 of these expenses was offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$8,173,498 provided the remaining resources for these programs.
- The School District's only major fund, the General Fund, had \$9,376,971 in revenues and \$8,731,210 in expenditures. The General Fund's balance increased \$509,729.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets

Eastern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

Fiduciary Fund The School District accounts for resources held for the benefit of parties outside the School District as a fiduciary fund. This fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the School District's own programs. The School District uses accrual accounting for fiduciary funds.

Eastern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

Table 1
Net Position

	Governmental Activities		
	2018	2017	Change
Assets			
Current and Other Assets	\$7,341,721	\$6,679,689	\$662,032
Capital Assets, Net	6,384,680	6,609,351	(224,671)
<i>Total Assets</i>	<u>13,726,401</u>	<u>13,289,040</u>	<u>437,361</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	0	20,127	(20,127)
Pension	3,285,820	2,404,699	881,121
OPEB	204,208	20,888	183,320
<i>Total Deferred Outflows of Resources</i>	<u>3,490,028</u>	<u>2,445,714</u>	<u>1,044,314</u>
Liabilities			
Current and Other Liabilities	1,221,016	1,104,750	116,266
Long-term Liabilities:			
Due within One Year	37,016	155,681	(118,665)
Due in More Than One Year:			
Net Pension Liability	9,917,063	12,953,547	(3,036,484)
Net OPEB Liability	2,276,210	2,676,271	(400,061)
Other Amounts	214,400	498,809	(284,409)
<i>Total Liabilities</i>	<u>13,665,705</u>	<u>17,389,058</u>	<u>(3,723,353)</u>
Deferred Inflows of Resources			
Property Taxes	463,768	507,192	(43,424)
Pension	464,830	210,683	254,147
OPEB	254,606	0	254,606
<i>Total Deferred Inflows of Resources</i>	<u>1,183,204</u>	<u>717,875</u>	<u>465,329</u>
Net Position			
Net Investment in Capital Assets	6,384,680	6,167,267	217,413
Restricted	1,162,614	1,587,798	(425,184)
Unrestricted (Deficit)	(5,179,774)	(10,127,244)	4,947,470
<i>Total Net Position</i>	<u>\$2,367,520</u>	<u>(\$2,372,179)</u>	<u>\$4,739,699</u>

Eastern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Eastern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$283,204 to negative \$2,372,179.

Total assets of governmental activities increased \$437,361. Current assets increased by \$662,032, primarily due to increases in pooled cash and cash equivalents, cash in segregated accounts, and cash with fiscal agents, of \$624,985, \$45,301, and \$243,289, respectively. This increase was offset by a decrease in property taxes receivable of \$308,008.

Total liabilities decreased \$3,723,353. The \$3,036,484 decrease in net pension liability and the decrease in net OPEB liability of \$400,061 account for the majority of the decrease. Intergovernmental payables and other amounts due in one year also decreased by \$65,332 and \$118,665. The largest increase was in the accrued wages and benefits payable of \$158,158.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018, and comparisons to fiscal year 2017.

Eastern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 2
Changes in Net Position

	Governmental Activities		
	2018	2017	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,134,347	\$1,029,120	\$105,227
Operating Grants, Contributions and Interest	1,131,859	1,064,551	67,308
Total Program Revenues	<u>2,266,206</u>	<u>2,093,671</u>	<u>172,535</u>
General Revenues:			
Property Taxes	1,544,564	1,858,245	(313,681)
Grants and Entitlements	6,392,180	6,313,806	78,374
Interest	57,269	23,008	34,261
Donations	10,691	9,013	1,678
Miscellaneous	168,794	10,609	158,185
Total General Revenues	<u>8,173,498</u>	<u>8,214,681</u>	<u>(41,183)</u>
Total Revenues	<u>10,439,704</u>	<u>10,308,352</u>	<u>131,352</u>
Program Expenses			
Instruction:			
Regular	1,992,691	4,929,170	(2,936,479)
Special	639,147	993,295	(354,148)
Student Intervention Services	16,825	4,411	12,414
Support Services:			
Pupils	303,403	597,994	(294,591)
Instructional Staff	116,818	68,421	48,397
Board of Education	27,405	35,632	(8,227)
Administration	249,878	639,952	(390,074)
Fiscal	311,571	321,591	(10,020)
Operation and Maintenance of Plant	781,837	963,425	(181,588)
Pupil Transportation	520,094	538,956	(18,862)
Central	85,115	95,785	(10,670)
Operation of Non-Instructional Services:			
Food Service Operations	407,916	369,495	38,421
Community Services	15,061	13,642	1,419
Extracurricular Activities	239,884	243,184	(3,300)
Interest and Fiscal Charges	(7,640)	23,372	(31,012)
Total Expenses	<u>5,700,005</u>	<u>9,838,325</u>	<u>(4,138,320)</u>
Change in Net Position	4,739,699	470,027	4,269,672
Net Position Beginning of Year	(2,372,179)	N/A	
Net Position End of Year	<u>\$2,367,520</u>	<u>\$283,204</u>	<u>\$2,084,316</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$20,888 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows.

Eastern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$301,050. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$5,700,005
Negative OPEB expense under GASB 75	301,050
2018 contractually required contribution	<u>27,725</u>
Adjusted 2018 program expenses	6,028,780
Total 2017 program expenses under GASB 45	<u>9,838,325</u>
Decrease in program expenses not related to OPEB	<u><u>(\$3,809,545)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 15) As a result of these changes, pension expense decreased from \$1,036,701 in fiscal year 2017 to a negative pension expense of \$2,994,747 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	<u>Pension Expense</u>
Instruction:	
Regular	(\$2,103,744)
Special	(312,386)
Support Services :	
Pupils	(221,230)
Instructional Staff	(4,595)
Board of Education	(3,173)
Administration	(259,259)
Fiscal	(10,090)
Operation and	
Maintenance of Plant	(22,591)
Pupil Transportation	(16,749)
Central	(2,598)
Operation of	
Non-Instructional	
Food Service Operations	(9,263)
Extracurricular Activities	<u>(29,069)</u>
Total Expenses	<u><u>(\$2,994,747)</u></u>

From fiscal year 2017 to fiscal year 2018, total revenues increased \$131,352. Total expenses also decreased \$4,138,320. This resulted in an increase in net position of \$4,739,699.

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

Eastern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 3
Governmental Activities

	<u>Total Cost of Services</u> 2018	<u>Net Cost of Services</u> 2018	<u>Total Cost of Services</u> 2017	<u>Net Cost of Services</u> 2017
Program Expenses				
Instruction:				
Regular	\$1,992,691	\$1,063,302	\$4,929,170	\$4,040,909
Special	639,147	(139,150)	993,295	232,461
Vocational	0	(44,427)	0	0
Student Intervention Services	16,825	16,825	4,411	4,411
Support Services:				
Pupils	303,403	303,403	597,994	597,994
Instructional Staff	116,818	113,918	68,421	68,421
Board of Education	27,405	27,405	35,632	35,632
Administration	249,878	249,878	639,952	639,952
Fiscal	311,571	308,036	321,591	321,591
Operation and Maintenance of Plant	781,837	762,504	963,425	963,425
Pupil Transportation	520,094	520,094	538,956	538,956
Central	85,115	85,115	95,785	95,785
Operation of Non-Instructional Services:				
Food Service Operations	407,916	23,367	369,495	17,460
Community Services	15,061	3,014	13,642	0
Extracurricular Activities	239,884	148,155	243,184	164,285
Interest and Fiscal Charges	(7,640)	(7,640)	23,372	23,372
Total	<u><u>\$5,700,005</u></u>	<u><u>\$3,433,799</u></u>	<u><u>\$9,838,325</u></u>	<u><u>\$7,744,654</u></u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. Over 60% of program expenses are supported through taxes and other general revenues.

THE SCHOOL DISTRICT'S FUNDS

The School District's major fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,277,313 and expenditures of \$10,081,654. The General Fund's fund balance increased \$509,729 from 2017 due to several large increases in revenues and less increases in expenditures compared to the prior year. General Fund tuition and fees alone increased \$132,888, along with miscellaneous and interest revenues.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

Eastern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

For the General Fund, budget basis revenue was \$9,562,311, above final estimates of \$9,555,035. The difference was mainly the result of underestimating property taxes and tuition and fees. Final estimated revenues were higher than the original estimates of \$9,125,016. Final appropriations were increased \$76,318 from original appropriations. Actual expenditures were below final appropriations of \$9,503,894 by \$723,762. The School District's ending General Fund balance was \$2,801,422.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the School District had \$6,384,680 invested (net of related debt) in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2018 balances compared to 2017.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	\$23,487	\$23,487
Land Improvements	109,885	126,312
Buildings and Improvements	5,330,817	5,559,393
Vehicles	467,758	408,806
Machinery, Equipment, Furniture, and Fixtures	345,852	361,161
Textbooks	106,881	130,192
Totals	\$6,384,680	\$6,609,351

For additional information on capital assets, see Note 10 to the financial statements.

Debt

At June 30, 2018, the School District had no bonds outstanding. See Note 17 to the financial statements for more information on debt and the capital lease.

Eastern Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 5
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2018	2017
2008 School Facilities Refunding		
Serial Bonds - 5.125%	\$0	\$400,000
Capital Lease	8,557	13,560
	\$8,557	\$413,560

ECONOMIC FACTORS

Although considered a mid-wealth district, the District has maintained financial stability primarily from monitoring expenditures and making necessary budget reductions. As indicated in the receding financial information, the District is heavily dependent on intergovernmental revenue. Given the current inflationary increases, especially in terms of group health premium trends, the current program and staffing levels of the District will be dependent on increased State, local, and federal funding. The challenge for all school districts is to provide a quality education to their students while staying within the restrictions imposed by limited, and in some cases shrinking, funding.

State legislation and the economy of the State greatly impact the financial stability of the District. The property values within the District are low. One voted mill will only generate approximately \$91,000. HB 49 establishes the biennium budget for fiscal year 2018 and fiscal year 2019. This budget does not make significant changes in the formula used to calculate State intergovernmental revenue. The budget does place Capacity Aid within the calculations to determine guarantee funding. Capacity Aid in the prior biennium budget (fiscal year 16 and fiscal year 17) was funded outside the guarantee and provided approximately \$2,000,000 in additional revenue to the District. Our indexes in the formulas are changing based on our District's respective growth in property valuation and income as compared to the state average growth.

A building levy in 1996 and the participation in the Ohio School Facility Commission program allowed the District to construct a K-8 building and renovate our high school. The existing high school was originally constructed in 1955. The District will again begin the process of working with the Ohio Facilities Construction Commission to determine what forms of assistance will be available to replace the high school structure and renovate the K-8 building.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lisa Ritchie, Treasurer at Eastern Local School District, 50008 State Route 681, Reedsville, Ohio 45772.

Eastern Local School District, Ohio

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,330,357
Cash and Cash Equivalents in Segregated Accounts	98,167
Cash and Cash Equivalents with Fiscal Agents	959,145
Accounts Receivable	10,919
Intergovernmental Receivable	90,997
Prepaid Items	86,291
Materials and Supplies Inventory	27,503
Inventory Held for Resale	2,643
Property Taxes Receivable	1,735,699
Nondepreciable Capital Assets	23,487
Depreciable Capital Assets, Net	<u>6,361,193</u>
 Total Assets	 <u>13,726,401</u>
Deferred Outflows of Resources	
Pension	3,285,820
OPEB	<u>204,208</u>
 Total Deferred Outflows of Resources	 <u>3,490,028</u>
Liabilities	
Accounts Payable	46,006
Accrued Wages and Benefits Payable	832,521
Intergovernmental Payable	152,507
Accrued Interest Payable	396
Claims Payable	189,586
Long-Term Liabilities:	
Due Within One Year	37,016
Due In More Than One Year:	
Net Pension Liability (See Note 15)	9,917,063
Net OPEB Liability (See Note 16)	2,276,210
Other Amounts Due in More Than One Year	<u>214,400</u>
 <i>Total Liabilities</i>	 <u>13,665,705</u>
Deferred Inflows of Resources	
Property Taxes	463,768
Pension	464,830
OPEB	<u>254,606</u>
 <i>Total Deferred Inflows of Resources</i>	 <u>1,183,204</u>
Net Position	
Net Investment in Capital Assets	6,384,680
Restricted for:	
Debt Service	253,683
Student Activities	46,639
Federal Programs	3,137
Classroom Facilities	502,501
Scholarships	302,906
Bus Replacement	52,866
Local Initiatives	882
Unrestricted (Deficit)	<u>(5,179,774)</u>
 Total Net Position	 <u>\$2,367,520</u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	
Governmental Activities				
Instruction:				
Regular	\$1,992,691	\$892,919	\$36,470	(1,063,302)
Special	639,147	51,000	727,297	139,150
Vocational	0	0	44,427	44,427
Student Intervention	16,825	0	0	(16,825)
Support Services:				
Pupils	303,403	0	0	(303,403)
Instructional Staff	116,818	0	2,900	(113,918)
Board of Education	27,405	0	0	(27,405)
Administration	249,878	0	0	(249,878)
Fiscal	311,571	0	3,535	(308,036)
Operation and Maintenance of Plant	781,837	0	19,333	(762,504)
Pupil Transportation	520,094	0	0	(520,094)
Central	85,115	0	0	(85,115)
Operation of Non-Instructional Services:				
Food Service Operations	407,916	120,685	263,864	(23,367)
Community Services	15,061	0	12,047	(3,014)
Extracurricular Activities	239,884	69,743	21,986	(148,155)
Interest	(7,640)	0	0	7,640
Total Governmental Activities	<u>\$5,700,005</u>	<u>\$1,134,347</u>	<u>\$1,131,859</u>	<u>(3,433,799)</u>
General Revenues				
Property Taxes Levied for General Purposes				1,544,564
Grants and Entitlements not Restricted to Specific Programs				6,392,180
Interest				57,269
Donations not Restricted to Specific Programs				10,691
Insurance Recoveries				63,968
Rent				26,640
Miscellaneous				78,186
Total General Revenues				<u>8,173,498</u>
Change in Net Position				4,739,699
Net Position Beginning of Year - Restated (See Note 3)				<u>(2,372,179)</u>
Net Position End of Year				<u>\$2,367,520</u>

See accompanying notes to the basic financial statements

Eastern Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2018*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,873,850	\$1,403,641	\$4,277,491
Receivables:			
Property Taxes	1,709,842	25,857	1,735,699
Accounts	9,466	1,453	10,919
Intergovernmental	22,507	68,490	90,997
Prepaid Items	84,365	1,926	86,291
Inventory Held for Resale	0	2,643	2,643
Materials and Supplies Inventory	26,377	1,126	27,503
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	52,866	0	52,866
<i>Total Assets</i>	<u>\$4,779,273</u>	<u>\$1,505,136</u>	<u>\$6,284,409</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$46,006	\$0	\$46,006
Accrued Wages and Benefits Payable	743,758	88,763	832,521
Intergovernmental Payable	141,012	11,495	152,507
<i>Total Liabilities</i>	<u>930,776</u>	<u>100,258</u>	<u>1,031,034</u>
Deferred Inflows of Resources			
Property Taxes	458,615	5,153	463,768
Unavailable Revenue	513,647	49,780	563,427
<i>Total Deferred Inflows of Resources</i>	<u>972,262</u>	<u>54,933</u>	<u>1,027,195</u>
Fund Balances			
Nonspendable	110,742	3,052	113,794
Restricted	52,866	1,097,506	1,150,372
Committed	16,150	82,936	99,086
Assigned	1,032,058	207,538	1,239,596
Unassigned (Deficit)	1,664,419	(41,087)	1,623,332
<i>Total Fund Balance</i>	<u>2,876,235</u>	<u>1,349,945</u>	<u>4,226,180</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$4,779,273</u>	<u>\$1,505,136</u>	<u>\$6,284,409</u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2018*

Total Governmental Fund Balances		\$4,226,180
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,384,680
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds:		
Delinquent Property Taxes	521,463	
Intergovernmental Revenues	41,923	
Miscellaneous Revenues	41	563,427
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net position.		867,726
Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the balance sheet.		(396)
The net pension liability and net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	3,285,820	
Deferred Inflows - Pension	(464,830)	
Net Pension Liability	(9,917,063)	
Deferred Outflows - OPEB	204,208	
Deferred Inflows - OPEB	(254,606)	
Net OPEB Liability	(2,276,210)	(9,422,681)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Energy Conservation Loan Payable	(8,557)	
Sick Leave Benefits Payable	(242,859)	(251,416)
Net Position of Governmental Activities		\$2,367,520

See accompanying notes to the basic financial statements.

Eastern Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$1,450,249	\$25,545	\$1,475,794
Intergovernmental	6,809,629	658,382	7,468,011
Interest	49,069	7,680	56,749
Tuition and Fees	943,919	0	943,919
Rent	26,599	0	26,599
Extracurricular Activities	4,337	65,406	69,743
Charges for Services and Sales	0	120,685	120,685
Contributions and Donations	17,672	19,955	37,627
Miscellaneous	75,497	2,689	78,186
Total Revenues	9,376,971	900,342	10,277,313
Expenditures			
Current:			
Instruction:			
Regular	4,590,565	37,604	4,628,169
Special	676,147	354,737	1,030,884
Student Intervention	16,825	0	16,825
Support Services:			
Pupils	628,437	0	628,437
Instructional Staff	117,776	3,000	120,776
Board of Education	34,506	0	34,506
Administration	622,691	0	622,691
Fiscal	296,657	7,664	304,321
Operation and Maintenance of Plant	765,998	20,000	785,998
Pupil Transportation	653,156	0	653,156
Central	92,906	0	92,906
Operation of Non-Instructional Services			
Food Service Operations	0	426,088	426,088
Community Services	6,848	15,025	21,873
Extracurricular Activities	194,893	72,112	267,005
Capital Outlay	28,129	10,000	38,129
Debt Service:			
Principal Retirement	5,003	400,000	405,003
Interest and Fiscal Charges	673	4,214	4,887
Total Expenditures	8,731,210	1,350,444	10,081,654
Excess of Revenues Over (Under) Expenditures	645,761	(450,102)	195,659
Other Financing Sources (Uses)			
Transfers In	0	200,000	200,000
Transfers Out	(200,000)	0	(200,000)
Insurance Recoveries	63,968	0	63,968
Total Other Financing Sources (Uses)	(136,032)	200,000	63,968
Net Change in Fund Balances	509,729	(250,102)	259,627
Fund Balances Beginning of Year	2,366,506	1,600,047	3,966,553
Fund Balances End of Year	\$2,876,235	\$1,349,945	\$4,226,180

See accompanying notes to the basic financial statements.

Eastern Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Net Change in Fund Balances - Total Governmental Funds		\$259,627
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:</p>		
	Capital Outlay	170,495
	Current Year Depreciation	<u>(385,312)</u>
		(214,817)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
	Delinquent Property Taxes	68,770
	Intergovernmental Revenue	21,412
	Miscellaneous	<u>41</u>
		90,223
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		405,003
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:</p>		
	Amortization of Premiums	31,545
	Amortization of Deferred Charges	<u>(20,523)</u>
		11,022
<p>In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.</p>		
		1,505
<p>Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows:</p>		
	Pension	668,711
	OPEB	<u>27,725</u>
		696,436
<p>Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:</p>		
	Pension	2,994,747
	OPEB	<u>301,050</u>
		3,295,797
<p>Expenses resulting from compensated absences in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(33,474)
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net change of the internal service fund is reported with governmental activities.</p>		
		<u>238,231</u>
Change in Net Position of Governmental Activities		<u>\$4,739,699</u>

.See accompanying notes to the basic financial statements

Eastern Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2018*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Property Taxes	\$1,507,576	\$1,578,621	\$1,721,797	\$143,176
Intergovernmental	6,779,500	7,098,986	6,810,728	(288,258)
Interest	12,000	12,565	49,069	36,504
Tuition and Fees	792,940	830,308	938,745	108,437
Rent	28,000	29,319	30,408	1,089
Gifts and Donations	4,000	4,189	10,691	6,502
Miscellaneous	1,000	1,047	873	(174)
<i>Total Revenues</i>	<u>9,125,016</u>	<u>9,555,035</u>	<u>9,562,311</u>	<u>7,276</u>
Expenditures				
Current:				
Instruction:				
Regular	4,805,832	4,802,932	4,505,730	297,202
Special	676,433	676,433	658,486	17,947
Student Intervention	24,670	24,670	15,070	9,600
Support Services:				
Pupils	674,128	674,128	626,996	47,132
Instructional Staff	148,138	148,138	122,472	25,666
Board of Education	40,150	40,150	30,334	9,816
Administration	645,657	645,658	628,251	17,407
Fiscal	322,778	322,778	308,697	14,081
Operation and Maintenance of Plant	1,006,810	992,319	867,679	124,640
Pupil Transportation	705,463	821,902	677,810	144,092
Central	103,660	103,660	98,650	5,010
Operation of Non-Instructional Services	7,000	7,000	6,848	152
Extracurricular Activities	175,323	185,933	188,373	(2,440)
Capital Outlay	91,534	58,193	44,736	13,457
<i>Total Expenditures</i>	<u>9,427,576</u>	<u>9,503,894</u>	<u>8,780,132</u>	<u>723,762</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(302,560)</u>	<u>51,141</u>	<u>782,179</u>	<u>731,038</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	10,000	58,600	58,668	68
Refund of Prior Year Receipts	0	0	(350)	(350)
Insurance Recoveries	0	57,542	57,542	0
Advance In	106	106	122	16
Transfers Out	0	(200,000)	(200,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>10,106</u>	<u>(83,752)</u>	<u>(84,018)</u>	<u>(266)</u>
<i>Net Change in Fund Balance</i>	<u>(292,454)</u>	<u>(32,611)</u>	<u>698,161</u>	<u>730,772</u>
<i>Fund Balance Beginning of Year</i>	<u>1,866,546</u>	<u>1,866,546</u>	<u>1,866,546</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>236,715</u>	<u>236,715</u>	<u>236,715</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,810,807</u>	<u>\$2,070,650</u>	<u>\$2,801,422</u>	<u>\$730,772</u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Ohio
Statement of Fund Net Position
Self-Insurance Internal Service Fund
June 30, 2018

Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$98,167
Cash and Cash Equivalents with Fiscal Agents	<u>959,145</u>
Total Assets	1,057,312
Current Liabilities	
Claims Payable	<u>189,586</u>
Net Position	
Unrestricted	<u><u>\$867,726</u></u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Position
Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2018*

Operating Revenues	
Charges for Services	\$1,479,587
Miscellaneous	<u>134,331</u>
Total Operating Revenues	<u>1,613,918</u>
Operating Expenses	
Purchased Services	105,888
Claims	<u>1,277,999</u>
Total Operating Expenses	<u>1,383,887</u>
Operating Income	230,031
Non-Operating Revenue	
Interest	<u>8,200</u>
Change in Net Position	238,231
Net Position Beginning of Year	<u>629,495</u>
Net Position End of Year	<u><u>\$867,726</u></u>

See accompanying notes to the basic financial statements.

Eastern Local School District, Ohio
Statement of Cash Flows
Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2018

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Transactions with Other Funds	\$1,479,587
Miscellaneous Revenues	134,331
Cash Payments for Goods and Services	(105,888)
Cash Payments for Claims	<u>(1,268,912)</u>

Net Cash Provided by Operating Activities 239,118

Cash Flows from Investing Activities

Interest on Investments	<u>8,200</u>
-------------------------	--------------

Net Decrease in Cash and Cash Equivalents 247,318

Cash and Cash Equivalents Beginning of Year 809,994

Cash and Cash Equivalents End of Year \$1,057,312

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income \$230,031

Increase in Claims Payable 9,087

Net Cash Provided by Operating Activities \$239,118

See accompanying notes to the basic financial statements.

Eastern Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$93,789</u>
--	-----------------

Liabilities

Due to Students	<u>\$93,789</u>
-----------------	-----------------

See accompanying notes to the basic financial statements.

This page intentionally left blank.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 - Description of the School District and Reporting Entity

Eastern Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected five member Board form of government and provides educational services as authorized by State and federal agencies.

The School District serves an area of approximately 115 square miles. It is located in Meigs County, and includes the communities of Reedsville, Tappers Plains, and Chester, and the Townships of Orange, Olive, Chester, and a portion of Bedford. The School District currently operates two instructional buildings, one administrative building, and one bus garage. It is staffed by 43 classified employees and 65 certificated full-time teaching personnel who provide services to 802 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit.

The School District participates in the Metropolitan Educational Technology Association Solutions (META), the Ohio Coalition of Equity and Adequacy of School Funding, and the Coalition of Rural and Appalachian Schools which are defined as jointly governed organizations; the Ohio School Board Association Workers' Compensation Group Rating Plan and the Schools of Ohio Risk Sharing Authority, which are defined as a group insurance purchasing pools; and the Jefferson Health Plan, which is defined as a risk sharing, claims servicing, and insurance purchasing pool. Additional information concerning these organizations is presented in Notes 19.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below:

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities.

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: 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. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following is the description of the School District's only major governmental fund:

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

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The School District's only proprietary fund type is an Internal Service Fund.

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities.

C. Measurement Focus

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB are explained in Notes 15 and 16.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

include property taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental revenues, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 15 and 16)

E. Cash and Cash Equivalents

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

The School District participates in the Jefferson Health Plan insurance consortium for self-insurance. These monies are held separate from the School District's central bank account and are reflected in the financial statements as "cash and cash equivalents with fiscal agents".

During fiscal year 2018, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to \$49,069, which includes \$13,638 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventory consists of expendable supplies held for consumption, and purchased and donated food held for resale.

H. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District currently capitalizes land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land Improvements	20 Years
Buildings and Improvements	20-50 Years
Vehicles	8 Years
Machinery, Equipment, Furniture, and Fixtures	5-20 Years
Textbooks	5 Years

I. Compensated Absences

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

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probably of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at the fiscal year-end, taking into consideration any limits specified by in the School District's termination policy. The School District records a liability for accumulated unused sick leave after twenty years of current service with the School District.

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

K. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

L. Restricted Assets

Assets are reported as restricted assets 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 government or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent monies reserved for bus replacement.

M. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

N. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

O. Pensions/Other Postemployment Benefits (OPEB)

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

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For the fiscal year 2018, the District reported no extraordinary or special items.

R. Estimates

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

S. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

The appropriation resolution is subject to amendment by the Board of Education throughout the 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 the prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 3 - Changes in Accounting Principles and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	\$283,204
Adjustments:	
Net OPEB Liability	(2,676,271)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>20,888</u>
Restated Net Position June 30, 2017	<u><u>(\$2,372,179)</u></u>

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

Note 4 - Fund Balances

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

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Fund Balances	General	Other Governmental Funds	Total
<u>Nonspendable:</u>			
Prepaid Items	\$84,365	\$1,926	\$86,291
Materials and Supplies Inventory	26,377	1,126	27,503
<i>Total Nonspendable</i>	<u>110,742</u>	<u>3,052</u>	<u>113,794</u>
<u>Restricted for:</u>			
Bus Replacement	52,866	0	52,866
Athletics and Music	0	44,995	44,995
Local Grants	0	882	882
Scholarships	0	302,906	302,906
Classroom Facilities	0	494,644	494,644
Capital Projects	0	254,079	254,079
<i>Total Restricted</i>	<u>52,866</u>	<u>1,097,506</u>	<u>1,150,372</u>
<u>Committed to:</u>			
Architectural Services	16,150	0	16,150
Eagle Express	0	2,740	2,740
Educational Foundation	0	80,196	80,196
<i>Total Committed</i>	<u>16,150</u>	<u>82,936</u>	<u>99,086</u>
<u>Assigned to:</u>			
Public School Support	3,748	0	3,748
Capital Improvements	0	207,538	207,538
Fiscal Year 2019 Appropriations	952,901	0	952,901
Purchases on Order	75,409	0	75,409
<i>Total Assigned</i>	<u>1,032,058</u>	<u>207,538</u>	<u>1,239,596</u>
Unassigned (Deficit):	<u>1,664,419</u>	<u>(41,087)</u>	<u>1,623,332</u>
<i>Total Fund Balances</i>	<u>\$2,876,235</u>	<u>\$1,349,945</u>	<u>\$4,226,180</u>

Note 5 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2018:

Special Revenue Funds:

Food Service	\$893
Federal Grants	<u>38,786</u>
	<u>\$39,679</u>

The deficits in the Special Revenue Funds are the result of over-expended grant resources and accrued liabilities. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 6 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget) rather than assigned fund balance (GAAP).
4. Prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
5. Advances In are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements:

Net Change in Fund Balance	
	General Fund
GAAP Basis	\$509,729
Net Adjustment for Revenue Accruals	248,900
Prepaid Items:	
Beginning of Fiscal Year	52,772
End of Fiscal Year	(84,360)
Net Adjustment for Expenditure Accruals	95,337
To reclassify excess of revenues over expenditures into financial statement fund types	(139)
Advances In	122
Encumbrances	(124,200)
Budget Basis	\$698,161

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions 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

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

At June 30, 2018, the School District's internal service fund had a cash balance of \$959,145 with the Jefferson Health Plan, a claims servicing pool (See Note 19). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan as a whole may be obtained from the consortium's fiscal agent.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, \$531,162 of the School District's total bank balance of \$781,162 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Investments As of June 30, 2018, the School District had the following investment:

	Measurement Amount	Maturity	Standard & Poor's Rating
Net Asset Value Per Share Star Ohio	\$3,779,864	Average 48.9 days	AAAm

Interest Rate Risk: The School District’s investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sell negotiable instruments prior to maturity in accord with the law. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute 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 revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected 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 School District receives property taxes from Meigs County. The County Auditor periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility taxes which are measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

At June 30, 2018, \$737,621 was available as an advance in the General Fund and \$12,847 was available in the Classroom Facilities Maintenance Fund. The amount available as an advance at June 30, 2017, was \$1,009,169 in the General Fund and \$17,003 in the Classroom Facilities Maintenance Fund.

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

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$71,060,040	75.64%	\$71,544,220	75.44%
Commerical/Industrial and Public Utility Real	3,040,610	3.24%	3,108,520	3.28%
Public Utility Personal	19,842,410	21.12%	20,180,850	21.28%
	\$93,943,060	100.00%	\$94,833,590	100.00%
Tax Rate per \$1,000 of assessed valuation		\$20.00		\$20.50

Note 9 - Receivables

Receivables at June 30, 2018, consisted of property taxes, accounts (billings for user charged services and student tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The delinquent property taxes amounted to \$521,463 as of June 30, 2018.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Special Education, Part B-IDEA	\$44,663
Title I	23,827
Ohio Bureay of Workers' Compensation	15,989
Ohio Department of Education	5,520
Medicaid Reimbursement	719
Summer Youth Employment	279
Total	\$90,997

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable Capital Assets:				
Land	\$23,487	\$0	\$0	\$23,487
Depreciable Capital Assets:				
Land Improvements	454,438	0	0	454,438
Buildings and Improvements	11,034,605	11,481	(17,804)	11,028,282
Vehicles	1,284,526	116,438	0	1,400,964
Machinery, Equipment, Furniture, and Fixtures	1,686,595	39,610	(49,601)	1,676,604
Textbooks	480,981	2,966	(16,641)	467,306
Total Capital Assets Being Depreciated	<u>14,941,145</u>	<u>170,495</u>	<u>(84,046)</u>	<u>15,027,594</u>
Less Accumulated Depreciation:				
Land Improvements	(328,126)	(16,427)	0	(344,553)
Buildings and Improvements	(5,475,212)	(238,277)	16,024	(5,697,465)
Vehicles	(875,720)	(57,486)	0	(933,206)
Machinery, Equipment, Furniture, and Fixtures	(1,325,434)	(48,509)	43,191	(1,330,752)
Textbooks	(350,789)	(24,613)	14,977	(360,425)
Total Accumulated Depreciation	<u>(8,355,281)</u>	<u>(385,312) *</u>	<u>74,192</u>	<u>(8,666,401)</u>
Total Capital Assets Being Depreciated, Net	<u>6,585,864</u>	<u>(214,817)</u>	<u>(9,854)</u>	<u>6,361,193</u>
Governmental Activities Capital Assets, Net	<u>\$6,609,351</u>	<u>(\$214,817)</u>	<u>(\$9,854)</u>	<u>\$6,384,680</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$203,236
Special	41,635
Support Services:	
Pupils	3,978
Administration	1,160
Fiscal	297
Operation and Maintenance of Plant	33,550
Pupil Transportation	61,622
Food Service Operations	5,627
Extracurricular Activities	34,207
Total Governmental Depreciation	<u>\$385,312</u>

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 11 - Interfund Transactions

Transfers

The General Fund transferred \$200,000 to the Permanent Improvement Fund during fiscal year 2018. The transfer was made to finance capital improvement projects.

Note 12 - Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Funds:	
General Fund	\$124,200
Nonmajor Funds	<u>2,884</u>
Total	<u><u>\$127,084</u></u>

Note 13 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with the Schools of Ohio Risk Sharing Authority, through Reed & Baur insurance Agency, for property, crime insurance, general liability insurance, and fleet insurance. During fiscal year 2018, the School District purchased the following coverage:

<u>Ohio Casualty Insurance</u>	
Building and Contents-replacement cost	\$31,095,556
Crime Insurance	
Forgery or Alterations Coverage	100,000
Employee Theft	100,000
General Liability	
Per occurrence	15,000,000
Aggregate Per Year	17,000,000
Medical Expense	10,000
Education Umbrella Liability Policy	
For General Liability	
Per occurrence	15,000,000
Aggregate Per Year	15,000,000
Automobile Insurance	15,000,000
Uninsured Motorists	1,000,000
Medical Payments	25,000

Settled claims have not exceeded their commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

B. Workers' Compensation

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Medical/Surgical, Dental, and Prescription Drug Insurances

Medical/surgical, dental, and prescription drug insurance is offered to employees through a self-insurance internal service fund. Three plans are offered to District employees. Plan A is a traditional preferred provider plan and employees contribute 12% of the cost of the premium which is \$954.12/\$2,044.54 single/family coverage. Plan B is a HDHP with an HSA. The Board contributes \$100/\$200 to the HSA for certified employees and \$800/\$1,600 for classified employees to cover the high deductible and 100% of the premium which is \$790.01/\$1,833.44 single/family. Plan C is also a HDHP with an HSA. The Board contributes \$100/\$200 to the HSA for certified employees and \$800/\$1,600 for classified employees to cover the high deductible. Employees contribute the difference in premium cost between Plan C and Plan B. The premium is \$858.72/\$1,992.87 single/family. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The School District's stop loss amount per person is \$50,000 for fiscal year 2018. The claims liability of \$189,586 reported in the internal service fund at June 30, 2018, is based on an estimate provided by the third arty administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims cost, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for 2017 and 2018 were:

	Balance Beginning of Fiscal Year	Current Fiscal Year Claims	Claim Payments	Balance End of Fiscal Year
2017	\$128,392	\$1,287,262	\$1,235,155	\$180,499
2018	180,499	1,277,999	1,268,912	189,586

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work on an eleven or twelve month basis earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less an eleven or twelve month basis do not earn vacation time. Certified and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 245 days for certified employees and up to 250 days for classified

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

employees. Upon retirement, certified employees receive payment for one-fourth of the total sick leave accumulation up to a maximum as follows: 50 days for having twenty years of service with the school district; 42.5 and 43.75 days for 10 to 19 years of service with the School District for certified and classified employees respectively; 32.5 and 33.75 days for less than 10 years of service with the School District for certified and classified employees, respectively.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to employees through School Claims Services, Assurant Life in the amount of \$20,000 for classified employees and \$25,000 for certified employees. The Superintendent, Treasurer, and three principals have life insurance that is equal to their yearly salaries. The District pays 100% of the premiums.

Note 15 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

A. Net Pension Liability/Net OPEB Liability

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

The net pension/OPEB liability represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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 these estimates annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The School District's contractually required contribution to SERS was \$159,409 for fiscal year 2018. Of this amount, \$17,800 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 after termination of employment at age 50 or later.

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

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$509,302 for fiscal year 2018. Of this amount, \$83,883 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability Prior Measurement Date	0.03517230%	0.03100784%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.03704380%</u>	<u>0.03242984%</u>	
Change in Proportionate Share	<u><u>0.00187150%</u></u>	<u><u>0.00142200%</u></u>	
Proportionate Share of the Net Pension Liability	\$2,213,285	\$7,703,778	<u>Total</u> \$9,917,063
Pension Expense	(\$91,205)	(\$2,903,542)	(\$2,994,747)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$95,252	\$297,484	\$392,736
Changes of assumptions	114,451	1,684,901	1,799,352
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	87,441	337,580	425,021
School District contributions subsequent to the measurement date	<u>159,409</u>	<u>509,302</u>	<u>668,711</u>
Total Deferred Outflows of Resources	<u>\$456,553</u>	<u>\$2,829,267</u>	<u>\$3,285,820</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$62,089	\$62,089
Net difference between projected and actual earnings on pension plan investments	10,506	254,234	264,740
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>55,607</u>	<u>82,394</u>	<u>138,001</u>
Total Deferred Inflows of Resources	<u>\$66,113</u>	<u>\$398,717</u>	<u>\$464,830</u>

\$668,711 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$84,540	\$407,755	\$492,295
2020	140,726	753,600	894,326
2021	57,362	545,017	602,379
2022	<u>(51,597)</u>	<u>214,876</u>	<u>163,279</u>
Total	<u>\$231,031</u>	<u>\$1,921,248</u>	<u>\$2,152,279</u>

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.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2017, 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	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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	<u>100.00 %</u>	

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 earning 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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%)
School District's proportionate share of the net pension liability	\$3,071,465	\$2,213,285	\$1,494,385

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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 that 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. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$11,043,104	\$7,703,778	\$4,890,897

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2018, three Board Members have elected Social Security. The contribution rate would be 6.2 percent of wages.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 - Postemployment Benefits

See Note 15 for a description of the net OPEB liability.

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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 on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$21,821.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$27,725 for fiscal year 2018. Of this amount, \$22,480 is reported as an intergovernmental payable.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

B. State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. 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. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.03571340%	0.03100784%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.03766830%</u>	<u>0.03242984%</u>	
Change in Proportionate Share	<u>0.00195490%</u>	<u>0.00142200%</u>	
Proportionate Share of the Net			<u>Total</u>
OPEB Liability	\$1,010,918	\$1,265,292	\$2,276,210
OPEB Expense	\$74,185	(\$375,235)	(\$301,050)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$73,040	\$73,040
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	38,258	65,185	103,443
School District contributions subsequent to the measurement date	<u>27,725</u>	<u>0</u>	<u>27,725</u>
Total Deferred Outflows of Resources	<u>\$65,983</u>	<u>\$138,225</u>	<u>\$204,208</u>
Deferred Inflows of Resources			
Changes of assumptions	\$95,931	\$101,923	\$197,854
Net difference between projected and actual earnings on OPEB plan investments	<u>2,670</u>	<u>54,082</u>	<u>56,752</u>
Total Deferred Inflows of Resources	<u>\$98,601</u>	<u>\$156,005</u>	<u>\$254,606</u>

\$27,725 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$21,563)	(\$7,470)	(\$29,033)
2020	(21,563)	(7,470)	(29,033)
2021	(16,549)	(7,470)	(24,019)
2022	(668)	(7,470)	(8,138)
2023	0	6,051	6,051
2024	<u>0</u>	<u>6,049</u>	<u>6,049</u>
Total	<u>(\$60,343)</u>	<u>(\$17,780)</u>	<u>(\$78,123)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$1,220,812	\$1,010,918	\$844,628
	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$820,284	\$1,010,918	\$1,263,225

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$1,698,635	\$1,265,292	\$922,811

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$879,071	\$1,265,292	\$1,773,605

Note 17 - Long-Term Obligations

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/17	Additions	Deductions	Principal Outstanding 6/30/18	Amounts Due within One Year
Capital Leases Payable	\$13,560	\$0	\$5,003	\$8,557	\$5,310
2008 Refunding Bonds-5.125%	400,000	0	400,000	0	0
Premium	31,545	0	31,545	0	0
Total Bonds	431,545	0	431,545	0	0
Net Pension Liability:					
SERS	2,574,288	0	361,003	2,213,285	0
STRS	10,379,259	0	2,675,481	7,703,778	0
Total Net Pension Liability	12,953,547	0	3,036,484	9,917,063	0
Net OPEB Liability:					
SERS	1,017,964	0	7,046	1,010,918	0
STRS	1,658,307	0	393,015	1,265,292	0
Total Net OPEB Liability	2,676,271	0	400,061	2,276,210	0
Compensated Absences	209,385	68,219	34,745	242,859	31,706
Total Long-Term Obligations	\$16,284,308	\$68,219	\$3,907,838	\$12,444,689	\$37,016

The capital lease and compensated absences will be paid from the General Fund. There are no repayment schedules for the net pension or OPEB liabilities. However, employer pension contributions are made from the following funds: General Fund and the Food Service, Idea B, Title I, and Title II-A Special Revenue Funds. For additional information related to the net pension or net OPEB liabilities, see Notes 15 or Note 16.

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The overall debt margin of the School District as of June 30, 2018, was \$8,535,023, with an unvoted debt margin of \$94,834.

Note 18 - Capital Leases

In prior fiscal years, the School District entered into an agreement to lease copiers. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the financial statements. Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds for \$5,676. The capital lease obligation represents the present value of the net future minimum lease payments on the capital lease.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018.

Year	Governmental Activities	
	Principal	Interest
2019	\$5,310	\$366
2020	3,247	65
Total	\$8,557	\$431

Note 19 - Jointly Governed Organizations and Public Entity Risk Pools

A. Jointly Governed Organizations

The School District participates in the **Metropolitan Educational Technology Association (META)**, formed from the merger of the Metropolitan Educational Council (MEC) and the Southeastern Ohio Voluntary Education Cooperative (SEOVEC) during fiscal year 2016, which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2018, the School District paid \$6,435 for services with META/MEC/SEOVEC. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

The **Ohio Coalition of Equity and Adequacy of School Funding** is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several members serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. The Committee exercises total control over budgeting, appropriating, contracting, and the designation of management. Member school district and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 district and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2018, the School District paid \$406 to the Coalition. To obtain financial information write to Ohio Coalition of Equity and Adequacy of School Funding at 100 South Street, Columbus, Ohio 43215.

The **Coalition of Rural and Appalachian Schools** is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2018. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

B. Insurance Purchasing Pool

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

C. Public Entity Risk Pools

The School District participates in the **Schools of Ohio Risk Sharing Authority (SORSA)**, a protected self-insurance purchasing pool under the authority of the Ohio Revised Code 2744. One hundred six school districts, educational service centers, and joint vocational school districts participate in the SORSA. SORSA is governed by a body elected by members. Members agree to jointly participate in coverages of losses and pay all contributions necessary for the specified insurance coverage's provided by SORSA. These coverage's include comprehensive general liability, automobile liability, certain property insurance, and public officials errors and omissions liability insurance.

The School District participates in the **Jefferson Health Plan Self-Insurance Plan**, a risk sharing, claims servicing, and insurance purchasing pool comprised of eighty-four members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

Note 20 - Contingencies

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

As of June 30, 2018, the School District is currently not a party to any material legal proceedings.

C. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Note 21 - Set-Asides

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may, at the discretion of the Board, be returned to the School District's General Fund or may be left in the account and used by the Board to offset any budget deficit the School District may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. The Board of Education passed a

Eastern Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

resolution to maintain the refunds from the Bureau of Workers' Compensation in the budget reserve pursuant to State Statute and at June 30, 2018 this continues to be set aside for school bus purchases.

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	144,491
Offsetting Credits	(233,237)
Qualifying Disbursements	<u>(143,346)</u>
Total	<u><u>(\$232,092)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

The School District had qualifying offsets and disbursements during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

This page intentionally left blank.

Eastern Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Five Fiscal Years (1)**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.0370438%	0.0351723%	0.0361980%	0.0365400%	0.0365400%
School District's Proportionate Share of the Net Pension Liability	\$2,213,285	\$2,574,288	\$2,065,493	\$1,849,269	\$2,172,917
School District's Covered Payroll	\$1,217,221	\$1,092,321	\$1,127,853	\$1,293,511	\$1,247,176
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	181.83%	235.67%	183.13%	142.97%	174.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Eastern Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Five Fiscal Years (1)**

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.03242984%	0.03100784%	0.03146133%	0.03129540%	0.03129540%
School District's Proportionate Share of the Net Pension Liability	\$7,703,778	\$10,379,259	\$8,694,991	\$7,612,127	\$9,067,513
School District's Covered Payroll	\$3,480,843	\$3,262,621	\$3,282,464	\$3,219,008	\$3,587,100
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	221.32%	318.13%	264.89%	236.47%	252.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Eastern Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.03766830%	0.03571340%
School District's Proportionate Share of the Net OPEB Liability	\$1,010,918	\$1,017,964
School District's Covered Payroll	\$1,217,221	\$1,092,321
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.05%	93.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Eastern Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.03242984%	0.03100784%
School District's Proportionate Share of the Net OPEB Liability	\$1,265,292	\$1,658,307
School District's Covered Payroll	\$3,480,843	\$3,262,621
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	36.35%	50.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

This page intentionally left blank.

Eastern Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$159,409	\$170,411	\$152,925	\$148,651
Contributions in Relation to the Contractually Required Contribution	<u>(159,409)</u>	<u>(170,411)</u>	<u>(152,925)</u>	<u>(148,651)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,180,807	\$1,217,221	\$1,092,321	\$1,127,853
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$27,725	\$20,888	\$18,372	\$28,549
Contributions in Relation to the Contractually Required Contribution	<u>(27,725)</u>	<u>(20,888)</u>	<u>(18,372)</u>	<u>(28,549)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.35%</u>	<u>1.72%</u>	<u>1.68%</u>	<u>2.53%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.85%</u>	<u>15.72%</u>	<u>15.68%</u>	<u>15.71%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$169,450	\$163,380	\$160,799	\$162,413	\$160,001	\$84,646
<u>(169,450)</u>	<u>(163,380)</u>	<u>(160,799)</u>	<u>(162,413)</u>	<u>(160,001)</u>	<u>(84,646)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,293,511	\$1,247,176	\$1,266,134	\$1,375,216	\$1,251,964	\$860,224
<u>13.10%</u>	<u>13.10%</u>	<u>12.70%</u>	<u>11.81%</u>	<u>12.78%</u>	<u>9.84%</u>
\$20,528	\$18,966	\$27,602	\$42,082	\$26,166	\$55,597
<u>(20,528)</u>	<u>(18,966)</u>	<u>(27,602)</u>	<u>(42,082)</u>	<u>(26,166)</u>	<u>(55,597)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.59%</u>	<u>1.52%</u>	<u>2.18%</u>	<u>3.06%</u>	<u>2.09%</u>	<u>6.46%</u>
<u>14.69%</u>	<u>14.62%</u>	<u>14.88%</u>	<u>14.87%</u>	<u>14.87%</u>	<u>16.30%</u>

Eastern Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	\$509,302	\$487,318	\$456,767	\$459,545
Contributions in Relation to the Contractually Required Contribution	<u>(509,302)</u>	<u>(487,318)</u>	<u>(456,767)</u>	<u>(459,545)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,637,871	\$3,480,843	\$3,262,621	\$3,282,464
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$418,471	\$466,323	\$465,976	\$479,919	\$468,943	\$430,382
<u>(418,471)</u>	<u>(466,323)</u>	<u>(465,976)</u>	<u>(479,919)</u>	<u>(468,943)</u>	<u>(430,382)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,219,008	\$3,587,100	\$3,584,431	\$3,691,685	\$3,607,254	\$3,310,631
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$32,190	\$35,871	\$35,844	\$36,917	\$36,073	\$33,106
<u>(32,190)</u>	<u>(35,871)</u>	<u>(35,844)</u>	<u>(36,917)</u>	<u>(36,073)</u>	<u>(33,106)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

This page intentionally left blank.

Eastern Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

Eastern Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, 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.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

OHIO AUDITOR OF STATE KEITH FABER



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
Meigs County
50008 State Route 681
Reedsville, Ohio 45772

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 12, 2019, wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School 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 School 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 School 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 School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 12, 2019

Eastern Local School District

50008 State Route 681
Reedsville, Ohio 45772

Steve Ohlinger, Superintendent Lisa M. Ritchie, Treasurer
(740) 667-6079 (740) 667-3319
Fax (740) 667-3978



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Noncompliance/Material Weakness of Ohio Admin. Code §117-2-02(A) related to errors in the financial statements.	Corrected	District began using the services of LGS for the financial statements prepared ending June 30, 2018
2017-002	Significant Deficiency related to errors noted in the Net Pension Liability, Deferred Inflows, Deferred Outflows, and Pension Expense	Corrected	District began using the services of LGS for the financial statements prepared ending June 30, 2018

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER



EASTERN LOCAL SCHOOL DISTRICT

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 5, 2019**