

Eastern Local School District  
Pike County  
Single Audit  
For the Fiscal Year Ended June 30, 2015



*Millhuff-Stang*

**CERTIFIED PUBLIC ACCOUNTANT**

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# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Eastern Local School District, Pike County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 4, 2016

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**Eastern Local School District**  
**Pike County**  
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For the Fiscal Year Ended June 30, 2015

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**Independent Auditor's Report**

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

***Report on the Financial Statements***

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Pike County, (the District) as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in cash financial position and the budgetary fund comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

### ***Accounting Basis***

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

### ***Emphasis of Matter***

As discussed in Note 19 to the financial statements, during 2015, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Supplemental Information***

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

The schedule of federal awards expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

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

#### ***Other Information***

We applied no procedures to Management's Discussion and Analysis or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

November 20, 2015

**Eastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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As management of Eastern Local School District, we offer the readers of the District's basic financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Net position of governmental activities increased \$334,056.

General cash receipts accounted for \$7,930,016 or 73 percent of total receipts. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$2,947,037 or 27 percent of total cash receipts of \$10,877,053.

The District had \$10,542,997 in cash disbursements related to governmental activities; only \$2,947,037 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions. General cash receipts (primarily grants, entitlements, and property taxes) of \$7,930,016 were adequate to provide for these programs.

**USING THE BASIC FINANCIAL STATEMENTS**

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

**REPORT COMPONENTS**

The statement of net position and statement of activities provide information about the cash activities of the District as a whole.

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

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

**BASIS OF ACCOUNTING**

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

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

**Eastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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**REPORTING THE DISTRICT AS A WHOLE**

***Statement of Net Position and Statement of Activities***

The statement of net position and the statement of activities reflect how the District did financially during 2015, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

In the statement of net position and the statement of activities, the District has one type of activity: governmental.

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

***Fund Financial Statements***

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

***Governmental Funds*** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net position and statement of activities) and governmental funds is reconciled in the financial statements.

***Proprietary Funds*** Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The District's proprietary fund is an internal service fund used to account for insurance services provided to other departments or agencies of the District, or to other governmental units, on a cost reimbursement basis.

**Eastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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

**THE DISTRICT AS A WHOLE**

Recall that the statement of net position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2015 and 2014.

(Table 1)  
 Net Position

	Governmental Activities	
	2015	2014
<b>Assets</b>		
Current and Other Assets	\$3,711,958	\$3,377,902
Total Assets	3,711,958	3,377,902
<b>Net Position</b>		
Restricted	890,028	942,500
Unrestricted	2,821,930	2,435,402
Total Net Position	\$3,711,958	\$3,377,902

Total net position increased \$334,056 from 2014 to 2015 due to cash receipts in excess of cash disbursements.

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

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

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

**Eastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

(Table 2)  
Changes in Net Position

	Governmental Activities	
	2015	2014*
<b>Cash Receipts</b>		
Program Cash Receipts		
Charges for Services and Sales	\$795,008	\$653,390
Operating Grants and Contributions	2,152,029	1,962,148
Total Program Cash Receipts	<u>2,947,037</u>	<u>2,615,538</u>
General Cash Receipts		
Property Taxes	1,182,918	1,164,480
Grants and Entitlements not Restricted to Specific Programs	6,670,782	6,244,514
Investment Earnings	9,633	8,844
Gifts and Donations	25,000	500
Miscellaneous	41,683	49,479
Total General Cash Receipts	<u>7,930,016</u>	<u>7,467,817</u>
Total Cash Receipts	<u>10,877,053</u>	<u>10,083,355</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	3,901,626	3,470,328
Special	1,361,435	1,126,423
Vocational	197,149	71,064
Other	1,077,257	1,064,665
Support Services:		
Pupils	407,631	403,090
Instructional Staff	144,754	140,960
Board of Education	24,293	24,362
Administration	763,255	642,013
Fiscal	265,876	257,508
Operation and Maintenance of Plant	644,928	708,074
Pupil Transportation	812,456	788,366
Central	108,419	126,520
Operation of Non-Instructional Services	465,695	449,844
Extracurricular Activities	119,428	128,274
Capital Outlay	114,284	65,471
Debt Service:		
Principal	108,972	103,243
Interest and Fiscal Charges	25,539	30,817
Total Cash Disbursements	<u>10,542,997</u>	<u>9,601,022</u>
Change in Net Position	334,056	482,333
Net Position, Beginning of Year	<u>3,377,902</u>	<u>2,895,569</u>
Net Position, End of Year	<u>\$3,711,958</u>	<u>\$3,377,902</u>

\*Certain reclassifications were made to Tables 2 and 3 for consistency of reporting between years.

**Eastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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Total cash receipts increased by \$793,698 from 2014 to 2015 primarily due to increases in charges for services and sales, operating grants and contributions, and unrestricted grants and entitlements. Charges for services and sales increased due to increases in open enrollment receipts from the state foundation and for \$66,000 in tuition receipts for the new Chinese program. Operating grants and contributions increased due to an increase in special education funding through the state foundation. Unrestricted grants and entitlements increased due to increased general state foundation funding.

Total cash disbursements increased \$941,975 from 2014 to 2015. Regular, special, and vocational instruction increased \$431,298, \$235,012, and \$126,085, respectively, due to increases in salaries and benefits disbursements. Administration increased \$121,242 also due to increases in salaries and benefits.

**Governmental Activities**

Grants and entitlements not restricted to specific programs made up 61 percent of cash receipts for governmental activities of the District for fiscal year 2015. Property tax receipts made up 11 percent of the total cash receipts for governmental activities for a total of 72 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 37 percent of governmental program cash disbursements. Support services disbursements make up 30 percent of governmental cash disbursements.

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

(Table 3)  
 Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014*
Instruction	\$6,537,467	\$4,470,200	\$5,732,480	\$3,972,122
Support Services	3,171,612	2,772,698	3,090,893	2,738,555
Operation of Non-Instructional Services	465,695	27,151	449,844	(13,288)
Extracurricular Activities	119,428	77,116	128,274	88,564
Capital Outlay	114,284	114,284	65,471	65,471
Principal	108,972	108,972	103,243	103,243
Interest and Fiscal Charges	25,539	25,539	30,817	30,817
Total Cash Disbursements	<u>\$10,542,997</u>	<u>\$7,595,960</u>	<u>\$9,601,022</u>	<u>\$6,985,484</u>

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts of \$10,877,053 and cash disbursements of \$10,552,784. The most significant change in fund balance was in the general fund.

For the general fund, receipts increased \$886,849, primarily due to an increase in intergovernmental receipts from the state foundation. Disbursements increased \$787,109 due to an increase in salaries and benefits disbursements.

**Eastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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For the bond retirement fund, receipts decreased \$87,013 between years due to the expiration of a tax levy for the 1998 School Improvement Bonds, which were paid off in 2015. Disbursements remained relatively consistent between years.

**General Fund - Budget Highlights**

The 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 2015, the District revised its budget several times.

For fiscal year 2015, the District filed an amended certificate of estimated resources. For the general fund, final estimated receipts were \$9,318,225, with original estimated receipts of \$9,033,974. Actual receipts were \$9,318,225, which was consistent with final estimated receipts.

During fiscal year 2015, the District filed amended appropriations resolutions. These amendments resulted in the general fund's final appropriations increasing \$556,962 from the original appropriations due to increases in salaries and benefits costs. Actual disbursements were \$8,995,364, which were consistent with final appropriations.

**Capital Assets**

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had capital outlay disbursements of \$114,284 during fiscal year 2015.

**Debt**

Under the cash basis of accounting the District does not report bonds in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds. At June 30, 2015, the District had \$793,375 in general obligation bonds, including accretion on capital appreciation bonds of \$26,052. For additional information regarding debt, see Note 9 to the basic financial statements. Table 4 summarizes the outstanding debt:

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

	2015	2014
1998 School Improvement General Obligation Bonds	\$0	\$75,000
2010 Energy Conservation Improvements Bonds	287,323	311,295
2011 School Improvement Refunding Bonds	506,052	508,800
Total	\$793,375	\$895,095

The School District's overall legal debt margin was \$5,497,187 with an unvoted debt margin of \$60,013 at June 30, 2015.

**Contacting the District's Financial Management**

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

**Eastern Local School District**  
*Statement of Net Position - Cash Basis*  
*As of June 30, 2015*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,711,958</u>
<i>Total Assets</i>	<u>3,711,958</u>
<b>Net Position</b>	
Restricted for:	
Debt Service	576,020
Other Purposes	314,008
Unrestricted	<u>2,821,930</u>
<i>Total Net Position</i>	<u><u>\$3,711,958</u></u>

See accompanying notes to the basic financial statements.



**Eastern Local School District**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2015

	<u>Program Cash Receipts</u>			Net (Cash Disbursements) Cash Receipts and Changes in Net Position
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
Instruction:				
Regular	\$3,901,626	\$272,011	\$512,497	(\$3,117,118)
Special	1,361,435	92,665	931,922	(336,848)
Vocational	197,149	9,725	149,425	(37,999)
Other	1,077,257	85,029	13,993	(978,235)
Support Services:				
Pupils	407,631	64,580	282	(342,769)
Instructional Staff	144,754	11,576	0	(133,178)
Board of Education	24,293	1,943	0	(22,350)
Administration	763,255	58,781	41,415	(663,059)
Fiscal	265,876	21,021	0	(244,855)
Operation and Maintenance of Plant	644,928	45,117	48,399	(551,412)
Pupil Transportation	812,456	70,055	27	(742,374)
Central	108,419	6,329	29,389	(72,701)
Operation of Non-Instructional Services	465,695	14,037	424,507	(27,151)
Extracurricular Activities	119,428	42,139	173	(77,116)
Capital Outlay	114,284	0	0	(114,284)
Debt Service				
Principal	108,972	0	0	(108,972)
Interest and Fiscal Charges	25,539	0	0	(25,539)
<i>Total Governmental Activities</i>	<u>\$10,542,997</u>	<u>\$795,008</u>	<u>\$2,152,029</u>	<u>(7,595,960)</u>
<b>General Cash Receipts</b>				
Property Taxes Levied for:				
General Purposes				1,115,550
Debt Service				49,491
Classroom Facilities Maintenance				17,877
Grants and Entitlements not Restricted to Specific Programs				6,670,782
Investment Earnings				9,633
Gifts and Donations				25,000
Miscellaneous				41,683
<i>Total General Cash Receipts</i>				<u>7,930,016</u>
<i>Change in Net Position</i>				334,056
<i>Net Position Beginning of Year</i>				<u>3,377,902</u>
<i>Net Position End of Year</i>				<u>\$3,711,958</u>

See accompanying notes to the basic financial statements.

**Eastern Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*As of June 30, 2015*

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,502,057	\$576,020	\$293,572	\$3,371,649
<i>Total Assets</i>	<u>\$2,502,057</u>	<u>\$576,020</u>	<u>\$293,572</u>	<u>\$3,371,649</u>
<b>Fund Balances</b>				
Restricted	\$0	\$576,020	\$293,572	\$869,592
Committed	50,577	0	0	50,577
Assigned	23,738	0	0	23,738
Unassigned	2,427,742	0	0	2,427,742
<i>Total Fund Balances</i>	<u>\$2,502,057</u>	<u>\$576,020</u>	<u>\$293,572</u>	<u>\$3,371,649</u>

See accompanying notes to the basic financial statements.

**Eastern Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
As of June 30, 2015*

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**Total Governmental Fund Balances** \$3,371,649

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

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

340,309

**Net Position of Governmental Activities**

\$3,711,958

See accompanying notes to the basic financial statements.

**Eastern Local School District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
**Governmental Funds**  
*For the Fiscal Year Ended June 30, 2015*

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts</b>				
Property Taxes	\$1,115,550	\$49,491	\$17,877	\$1,182,918
Intergovernmental	7,424,102	12,546	1,384,431	8,821,079
Interest	9,116	0	517	9,633
Tuition and Fees	695,082	0	0	695,082
Rent	8,100	0	0	8,100
Extracurricular Activities	11,694	0	41,074	52,768
Gifts and Donations	25,282	0	1,450	26,732
Customer Sales and Services	22,121	0	16,937	39,058
Miscellaneous	41,275	0	408	41,683
<i>Total Cash Receipts</i>	<u>9,352,322</u>	<u>62,037</u>	<u>1,462,694</u>	<u>10,877,053</u>
<b>Cash Disbursements</b>				
Current:				
Instruction:				
Regular	3,401,418	0	509,995	3,911,413
Special	1,158,746	0	202,689	1,361,435
Vocational	121,604	0	75,545	197,149
Other	1,063,264	0	13,993	1,077,257
Support Services:				
Pupils	407,631	0	0	407,631
Instructional Staff	144,754	0	0	144,754
Board of Education	24,293	0	0	24,293
Administration	717,941	0	45,314	763,255
Fiscal	262,865	2,260	751	265,876
Operation and Maintenance of Plant	544,194	0	100,734	644,928
Pupil Transportation	806,715	0	5,741	812,456
Central	79,147	0	29,272	108,419
Operation of Non-Instructional Services	816	0	464,879	465,695
Extracurricular Activities	82,623	0	36,805	119,428
Capital Outlay	114,284	0	0	114,284
Debt Service:				
Principal	23,972	85,000	0	108,972
Interest and Fiscal Charges	10,144	15,395	0	25,539
<i>Total Cash Disbursements</i>	<u>8,964,411</u>	<u>102,655</u>	<u>1,485,718</u>	<u>10,552,784</u>
<i>Net Change in Fund Balances</i>	387,911	(40,618)	(23,024)	324,269
<i>Fund Balances at Beginning of Year</i>	<u>2,114,146</u>	<u>616,638</u>	<u>316,596</u>	<u>3,047,380</u>
<i>Fund Balances at End of Year</i>	<u>\$2,502,057</u>	<u>\$576,020</u>	<u>\$293,572</u>	<u>\$3,371,649</u>

See accompanying notes to the basic financial statements.

**Eastern Local School District**  
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

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**Net Change in Fund Balances - Total Governmental Funds** \$324,269

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

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

9,787

**Net Change in Net Position of Governmental Activities**

\$334,056

See accompanying notes to the basic financial statements.

**Eastern Local School District**  
*Statement of Receipts, Disbursements and Change  
in Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2015*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Receipts</b>				
Property Taxes	\$1,039,768	\$1,115,550	\$1,115,550	\$0
Intergovernmental	7,392,366	7,424,102	7,424,102	0
Interest	8,600	9,116	9,116	0
Tuition and Fees	563,158	695,082	695,082	0
Rent	8,100	8,100	8,100	0
Gifts and Donations	0	25,000	25,000	0
Miscellaneous	21,982	41,275	41,275	0
<i>Total Receipts</i>	<u>9,033,974</u>	<u>9,318,225</u>	<u>9,318,225</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,360,273	3,406,427	3,406,427	0
Special	980,259	1,158,746	1,158,746	0
Vocational	44,103	122,195	122,195	0
Other	1,063,586	1,063,264	1,063,264	0
Support Services:				
Pupils	386,355	384,704	384,704	0
Instructional Staff	148,903	144,754	144,754	0
Board of Education	21,627	25,613	25,613	0
Administration	579,321	717,941	717,941	0
Fiscal	245,322	262,865	262,865	0
Operation and Maintenance of Plant	493,646	544,564	544,564	0
Pupil Transportation	806,602	806,715	806,715	0
Central	96,000	79,147	79,147	0
Operation of Noninstructional Services	0	816	816	0
Extracurricular Activities	79,682	82,623	82,623	0
Capital Outlay	98,608	160,874	160,874	0
Debt Service:				
Principal	23,997	23,972	23,972	0
Interest	10,118	10,144	10,144	0
<i>Total Disbursements</i>	<u>8,438,402</u>	<u>8,995,364</u>	<u>8,995,364</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	595,572	322,861	322,861	0
<i>Fund Balances at Beginning of Year</i>	2,083,639	2,083,639	2,083,639	0
<i>Prior Year Encumbrances Appropriated</i>	<u>21,241</u>	<u>21,241</u>	<u>21,241</u>	<u>0</u>
<i>Fund Balances at End of Year</i>	<u><u>\$2,700,452</u></u>	<u><u>\$2,427,741</u></u>	<u><u>\$2,427,741</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**Eastern Local School District**  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Fund*  
*As of June 30, 2015*

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	Governmental Activities - Internal Service Fund
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$340,309</u>
<i>Total Assets</i>	<u>340,309</u>
<b>Net Position</b>	
Unrestricted	<u>340,309</u>
<i>Total Net Position</i>	<u><u>\$340,309</u></u>

See accompanying notes to the basic financial statements.

**Eastern Local School District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Net Position - Cash Basis*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2015*

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	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$386,089</u>
<i>Total Operating Cash Receipts</i>	<u>386,089</u>
<b>Operating Cash Disbursements</b>	
Purchased Services	375,902
Other	<u>400</u>
<i>Total Operating Cash Disbursements</i>	<u>376,302</u>
<i>Net Change in Net Position</i>	9,787
<i>Net Position at Beginning of Year</i>	<u>330,522</u>
<i>Net Position at End of Year</i>	<u><u>\$340,309</u></u>

See accompanying notes to the basic financial statements.



**Eastern Local School District**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*As of June 30, 2015*

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$12,086</u>	<u>\$29,652</u>
<i>Total Assets</i>	<u>12,086</u>	<u>29,652</u>
<b>Net Position</b>		
Held in Trust for Scholarships	12,086	0
Unrestricted	<u>0</u>	<u>29,652</u>
<i>Total Net Position</i>	<u><u>\$12,086</u></u>	<u><u>\$29,652</u></u>

See accompanying notes to the basic financial statements.

**Eastern Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2015*

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	<u>Private Purpose Trust Fund</u>
<b>Additions</b>	
Interest	\$45
Miscellaneous	958
	<hr/>
<i>Total Additions</i>	1,003
	<hr/>
<i>Change in Net Position</i>	1,003
	<hr/>
<i>Net Position at Beginning of Year</i>	11,083
	<hr/>
<i>Net Position at End of Year</i>	<u><u>\$12,086</u></u>

See accompanying notes to the basic financial statements.

**Eastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

Eastern Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines. The District was established in 1960 through the consolidation of existing land areas and school districts. The District serves an area of approximately 85 square miles. It is located in Pike County, and includes all of the Villages of Beaver and Stockdale and portions of Marion, Union, and East Jackson Townships in Pike County, Madison Township in Scioto County and Liberty Township in Jackson County. It is staffed by 37 noncertificated employees, 58 certificated full-time teaching personnel, and 7 administrators who provide services to 1,188 students and other community members. The District currently operates one instructional building which houses grades Kindergarten through 12.

**Reporting Entity**

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

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

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Eastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Government-wide Financial Statements**

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

**Fund Financial Statements**

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

**Fund Accounting**

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

**Governmental Funds**

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

**General Fund**

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

**Bond Retirement Fund**

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

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

**Eastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Proprietary Fund**

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

**Internal Service Fund**

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

**Fiduciary Funds**

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

**Basis of Accounting**

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

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

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

**Cash Receipts – Exchange and Non-Exchange Transactions**

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

**Cash Disbursements**

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

**Eastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Budgetary Process**

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

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

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

**Cash and Cash Equivalents**

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2015 amounted to \$9,116. \$517 was recorded in the food service nonmajor special revenue fund, and \$45 was recorded in the scholarships private purpose trust fund.

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

**Capital Assets**

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

**Interfund Activity**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. Interfund transfers between governmental activities are eliminated in the statement of activities. Flows of cash from one fund to another with a requirement for repayment are reported as advances. Advances between governmental activities are eliminated in the statement of activities. The District did not transfer or advance between funds during fiscal year 2015.

**Eastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Compensated Absences**

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

**Long-Term Obligations**

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

**Fund Balance**

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

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. The District reported no nonspendable fund balances at June 30, 2015.

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

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

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

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

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

**Eastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Net Position**

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

At June 30, 2015, none of the District's restricted net position was restricted by enabling legislation.

**Operating Cash Receipts and Cash Disbursements**

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

**Pensions**

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

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;



**Eastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

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

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

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

As of June 30, 2015, the District's bank balance of \$3,994,818 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

**Eastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 4 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax receipts received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Pike, Jackson, and Scioto Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second half real property tax payments collected by the Counties by June 30, 2015 are available to finance fiscal year 2015 operations. The amounts available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second-Half Collections		2015 First-Half Collections	
	Amount	Percent	Amount	Percent
Agriculture/Residential And Other Real Estate	\$52,276,640	91.22%	\$54,938,260	91.54%
Public Utility	5,028,890	8.78%	5,074,710	8.46%
Total Assessed Value	<u>\$57,305,530</u>	<u>100.00%</u>	<u>\$60,012,970</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$25.500		\$23.001	

**NOTE 5 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District contracted with Selective Insurance Company of America for property, fleet, and professional liability insurance coverage. Coverages provided are as follows:

Building and Contents (\$1,000 deductible)	\$29,789,945
Boiler and Machinery (\$1,000 deductible)	29,789,945
Personal Property (\$1,000 deductible)	4,075,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

During fiscal year 2015, the District contracted with Cincinnati Insurance Company for the Treasurer's public officials bond in the amount of \$20,000. Other officials are covered by a blanket bond provided by Selective Insurance Company of America.

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

For fiscal year 2015, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), a group purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

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

	2015	2014
Cash	\$96,501	\$84,317
Estimated Liabilities	3,795	2,507

**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position/fund balance as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

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

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

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significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$158,301 for fiscal year 2015.

***Plan Description - State Teachers Retirement System (STRS)***

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

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$499,140 for fiscal year 2015.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

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	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$1,824,065	\$7,757,085	\$9,581,150
Proportion of the Net Pension Liability	0.036042%	0.031891%	

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

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Asset Class	Target		Long Term Expected	
	Allocation		Real Rate of Return	
Cash	1.00	%	0.00	%
US Stocks	22.50		5.00	
Non-US Stocks	22.50		5.50	
Fixed Income	19.00		1.50	
Private Equity	10.00		10.00	
Real Assets	10.00		5.00	
Multi-Asset Strategies	15.00		7.50	
<b>Total</b>	<b>100.00</b>	<b>%</b>		

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	Current		
	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$2,602,399	\$1,824,065	\$1,169,419

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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 not set back from age 90 and above.

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Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$11,105,113	\$7,757,085	\$4,925,780

**NOTE 7-POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

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



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*Notes to the Basic Financial Statements*  
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**Health Care Plan**

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the years ended June 30, 2015, 2014, and 2013, the health care allocations were 0.82 percent, 0.14 percent, and 0.16 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2015, 2014, and 2013 were \$22,565, \$14,892, and \$12,524, respectively.

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

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

**State Teachers Retirement System**

**Plan Description** – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$33,123 and \$32,418, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

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**NOTE 8-EMPLOYEE BENEFITS**

**Compensated Absences**

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

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

**Insurance**

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

**Deferred Compensation**

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

**NOTE 9 - LONG-TERM DEBT**

Under the cash basis of accounting, the District does not record debt as a liability in the accompanying basic financial statements. However, in order to provide meaningful information regarding debt to readers of these basic financial statements, the District has elected to present the following information. The changes in the District's long-term debt during fiscal year 2015 were as follows:

	Debt Outstanding 6/30/14	Additions	Deductions	Debt Outstanding 6/30/15	Due in One Year
1998 School Improvement General Obligations Bonds – 4.00% - 5.00%	\$75,000	\$0	\$75,000	\$0	\$0
2010 Energy Conservation Improvement Bonds – 3.25%	311,295	0	23,972	287,323	24,777
2011 School Improvement Refunding Bonds – Term – 2.00% - 3.30%	460,000	0	10,000	450,000	85,000
2011 School Improvement Refunding Bonds – Capital Appreciation	30,000	0	0	30,000	0
2011 School Improvement Refunding Bonds – Capital Appreciation Accretion	18,800	7,252	0	26,052	0
<b>Total</b>	<b>\$895,095</b>	<b>\$7,252</b>	<b>\$108,972</b>	<b>\$793,375</b>	<b>\$109,777</b>

**Eastern Local School District**  
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*1998 School Improvement General Obligation Bonds* - On June 4, 1998, the District issued \$1,423,000 in voted general obligation bonds for the purpose of building new school building facilities. The bonds were retired during 2015 with payments from the bond retirement fund.

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

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

The bonds due on December 1, 2015 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2011 and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Amount</u>
2012	\$10,000
2013	10,000
2014	10,000

Unless otherwise called for redemption, the remaining \$85,000 principal amount of the bonds due December 1, 2015 is to be paid at stated maturity.

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

<u>Year</u>	<u>Amount</u>
2017	\$85,000

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

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

<u>Year</u>	<u>Amount</u>
2019	\$95,000

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

Principal and interest requirements to retire general obligation debt at June 30, 2015, are as follows:

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Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$109,777	\$21,533	\$131,310
2017	55,582	74,878	130,460
2018	111,414	17,814	129,228
2019	117,272	14,418	131,690
2020	123,159	10,659	133,818
2021-2025	250,119	17,015	267,134
Total	<u>\$767,323</u>	<u>\$156,317</u>	<u>\$923,640</u>

The amortization above does not agree to the table on page 36 due to accretion.

The District's overall legal debt margin was \$5,497,187 with an unvoted debt margin of \$60,013 at June 30, 2015.

**NOTE 10 - GROUP PURCHASING POOL**

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

**NOTE 11 - JOINTLY GOVERNED ORGANIZATION**

*South Central Ohio Computer Association Council of Governments* - The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities, 60 non-public education entities, 2 private schools, and multiple public libraries from 23 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA COG \$127,387 for services provided during the year. Financial information for SCOCA COG can be obtained from their fiscal office located at Pike County Career Technology Center, P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**NOTE 12 - SET-ASIDE CALCULATIONS AND FUND BALANCE RESTRICTIONS**

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

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

**Eastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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	Capital Acquisition
Set-aside balance as of June 30, 2014	\$0
Current year set-aside requirement	147,256
Current year offsets	(17,877)
Qualifying disbursements	(139,971)
Total	(\$10,592)
Set-aside balance carried forward to future fiscal years	\$0
Set-aside balance as of June 30, 2015	\$0

The District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the capital acquisition set-aside. The carryover amount in the capital acquisition set-aside is limited to the balance of the offsets attributed to bond or tax levy proceeds, which was \$0 as of June 30, 2015. The District’s Board additionally committed a portion of fund balance in the general fund for the purpose of capital disbursements. The total amount committed at June 30, 2015 was \$46,590.

**NOTE 13 - CONTINGENCIES**

**Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

**State Foundation Funding**

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

**Litigation**

At June 30, 2015, the District is party to a lawsuit. The outcome of this lawsuit cannot be determined at this time; however, it is not expected to have a material adverse effect on the basic financial statements.

**NOTE 14 – COMPLIANCE**

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

The District did not timely encumber all funds, which is contrary to Ohio Revised Code Section 5705.41(D).

**Eastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 15 – BUDGETARY BASIS FUND BALANCES**

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

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

	<b>General Fund</b>
Budgetary basis fund balance	\$2,427,741
Encumbrances	53,880
Fund balance of funds combined with general fund for reporting purposes	20,436
Cash basis fund balance	\$2,502,057

**NOTE 16 – FUND BALANCES**

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

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
<i>Restricted for</i>				
Capital Improvements and Maintenance	\$0	\$0	\$92,326	\$92,326
Food Service	0	0	149,756	149,756
Other Purposes	0	0	26,474	26,474
Extracurricular Activities	0	0	25,016	25,016
Debt Service	0	576,020	0	576,020
<i>Total Restricted</i>	0	576,020	293,572	869,592
<i>Committed to</i>				
Capital Improvements and Maintenance	46,590	0	0	46,590
Other Purposes	3,987	0	0	3,987
<i>Total Committed</i>	50,577	0	0	50,577
<i>Assigned to</i>				
Public School Support	20,436	0	0	20,436
Other Purposes	3,302	0	0	3,302
<i>Total Assigned</i>	23,738	0	0	23,738
<i>Unassigned</i>	2,427,742	0	0	2,427,742
<i>Total Fund Balances</i>	\$2,502,057	\$576,020	\$293,572	\$3,371,649

**Eastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 17 – CONTRACT COMMITMENT**

The District had two significant contracts related to the football field renovation outstanding at June 30, 2015. The District entered into a contract with Dant Clayton Corporation for the construction of a media box in the amount of \$60,940. As of June 30, 2015, \$20,110 had been paid on the contract, leaving a balance of \$40,830 outstanding. The District also entered into a contract with Techline Sports Lighting, LLC for the installation of lighting in the amount of \$91,000. As of June 30, 2015, there had been no payments on the contract, leaving a balance of \$91,000 outstanding.

**NOTE 18 – ENCUMBRANCE COMMITMENTS**

At June 30, 2015, the District had significant encumbrance commitments in the governmental funds as follows:

Major Fund	
General	\$53,880
Other Governmental Funds	
Lunchroom	3,945
Athletics	6,376
Public School Preschool	7,147
Total Other Governmental Funds	<u>17,468</u>
Total	<u>\$71,348</u>

**NOTE 19 – NEW GASB PRONOUNCEMENTS**

For fiscal year 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68.”

GASB Statement No. 68 replaces the requirements of GASB Statements No. 27 and 50 related to pension plans administered through trusts or similar arrangements. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also adds revised and new note disclosures and required supplementary information. Since the District presents its financial statements on the cash accounting basis, no liability or related deferred inflows/outflows of resources are recognized. However, the District did modify disclosures and has presented supplementary information with the implementation of this Statement.

GASB Statement No. 71 amends Statement No. 68 related to transition provisions for certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68.

These pronouncements had no effect on beginning net position/fund balance as reported at June 30, 2014.

**Eastern Local School District**  
*Supplementary Information*  
*Schedule of the District's Proportionate Share of the Net Pension Liability*  
*Last Two Fiscal Years (1)*

	2013	2014
<i>State Teachers Retirement System</i>		
District's proportion of the net pension liability (asset)	0.03189137%	0.03189137%
District's proportionate share of the net pension liability (asset)	\$9,240,189	\$7,757,085
District's covered-employee payroll	\$3,241,800	\$3,312,346
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	285.032667%	234.187038%
Plan fiduciary net position as a percentage of the total pension liability	69.296426%	74.707076%
<i>School Employees Retirement System</i>		
District's proportion of the net pension liability (asset)	0.03604200%	0.03604200%
District's proportionate share of the net pension liability (asset)	\$2,143,302	\$1,824,065
District's covered-employee payroll	\$1,173,649	\$1,226,068
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	182.618653%	148.773559%
Plan fiduciary net position as a percentage of the total pension liability	65.520824%	71.697842%

The amounts presented as of the District's measurement date which is the prior fiscal year end.

(1) Information not available prior to 2013.



**Eastern Local School District**  
*Supplementary Information*  
*Schedule of District Contributions*  
*Last Ten Fiscal Years*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>State Teachers Retirement System</i>										
Contractually required contribution	\$427,178	\$465,072	\$466,440	\$470,820	\$476,880	\$435,322	\$412,386	\$421,434	\$430,605	\$499,140
Contributions in relation to the contractually required contribution	427,178	465,072	466,440	470,820	476,880	435,322	412,386	421,434	430,605	499,140
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$3,285,985	\$3,577,477	\$3,588,000	\$3,621,692	\$3,668,308	\$3,348,631	\$3,172,200	\$3,241,800	\$3,312,346	\$3,565,286
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution	\$134,376	\$139,932	\$153,864	\$156,768	\$164,687	\$146,912	\$151,244	\$162,433	\$169,933	\$158,301
Contributions in relation to the contractually required contribution	134,376	139,932	153,864	156,768	164,687	146,912	151,244	162,433	169,933	158,301
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$1,270,095	\$1,310,225	\$1,566,843	\$1,593,171	\$1,216,300	\$1,168,751	\$1,124,491	\$1,173,649	\$1,226,068	\$1,201,070
Contributions as a percentage of covered-employee payroll	10.58%	10.68%	9.82%	9.84%	13.54%	12.57%	13.45%	13.84%	13.86%	13.18%

**Eastern Local School District**  
**Pike County**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2015*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>United States Department of Agriculture</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$ 206,315	\$ -	\$ 206,315	\$ -
National School Lunch Program	3L60	10.555	296,182	19,888	296,182	19,888
Total Child Nutrition Cluster			502,497	19,888	502,497	19,888
<b>Total United States Department of Agriculture</b>			502,497	19,888	502,497	19,888
<b><u>United States Department of Education</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Special Education-Grants to States	3M20	84.027	200,492	-	204,831	-
Title I Grants to Local Educational Agencies	3M00	84.010	395,081	-	393,425	-
Rural Education	3Y80	84.358	13,993	-	13,993	-
Improving Teacher Quality State Grants	3Y60	84.367	74,018	-	71,784	-
<b>Total United States Department of Education</b>			683,584	-	684,033	-
<b>Total Federal Financial Assistance</b>			\$1,186,081	\$19,888	\$1,186,530	\$19,888

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

**Eastern Local School District**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June, 30, 2015*

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**Note 1 – Significant Accounting Policies**

The accompanying schedule of federal awards expenditures includes the federal grant activity of the District and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Note 2 – Child Nutrition Cluster**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Pike County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2015, wherein we noted the District follows the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Furthermore, we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68".

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002.

### **District's Response to Findings**

The District's response to the findings in our audit is described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

November 20, 2015

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

We have audited Eastern Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

November 20, 2015

**Eastern Local School District**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2015*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>		
Type of financial statement opinion:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		Yes
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:		Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Child Nutrition Cluster (CFDA #10.553, 10.555)
Dollar threshold used to distinguish between type A and type B programs:		Type A: > \$300,000 Type B: All others
Auditee qualified as low-risk auditee?		Yes



**Eastern Local School District**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2015*

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**Section II – Financial Statement Findings**

**Finding 2015-001**

**Noncompliance – Financial Reporting**

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

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit presumably material assets, liabilities, fund equities, and disclosures. Pursuant to Ohio Revised Code Section 117.38, the District is subject to fines and various other administrative remedies. The District should consider filing on a GAAP basis in order to comply with state regulations.

**Client Response:**

District officials do not believe that preparing financial statements in accordance with generally accepted accounting principles is cost-beneficial.

**Finding 2015-002**

**Noncompliance – Proper Encumbrance of Funds**

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The statute provides the following exceptions to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Nine of the forty-two (21%) disbursements tested had invoice dates preceding the encumbrance date. Failure to certify the availability of funds properly can result in over spending funds and negative cash fund balances. Also, two instances were noted where outstanding purchase orders were not properly encumbered. The School District should implement budgetary monitoring procedures to ensure that funds are properly and timely encumbered prior to commitment and purchase orders are encumbered properly.

**Client Response:**

Monitoring procedures will be placed in operation to ensure that funds are properly and timely encumbered prior to commitment.

**Eastern Local School District**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Fiscal Year Ended June 30, 2015*

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**Section III – Federal Award Findings and Questioned Costs**

**None**

**Eastern Local School District**  
*Schedule of Prior Audit Findings*  
*OMB Circular A-133 Section .315(b)*  
*For the Fiscal Year Ended June 30, 2015*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding 2014-001	Noncompliance with ORC Section 117.38 and OAC Section 117-2-03 – Annual Financing Report	No	Reissued as finding 2015-001

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# Dave Yost • Auditor of State

**EASTERN LOCAL SCHOOL DISTRICT**

**PIKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 17, 2016**