bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

EASTERN LOCAL SCHOOL DISTRICT
BROWN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2018
Fiscal Year Audited Under GAGAS: 2018

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www.bhmcpagroup.com

Dave Yost • Auditor of State

Board of Education
Eastern Local School District
11479 US Highway 62
Winchester, Ohio 45697

We have reviewed the *Independent Auditor's Report* of the Eastern Local School District, Brown County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2017 through June 30, 2018. 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.

Dave Yost
Auditor of State

December 19, 2018

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Eastern Local School District, Brown County

Table of Contents
For The Year Ended June 30, 2018

Eastern Local School District, Brown County

Table of Contents
For The Year Ended June 30, 2018
(Continued)

INDEPENDENT AUDITOR'S REPORT

Eastern Local School District
Brown County
11479 US Highway 62
Winchester, Ohio 45697

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Brown County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
November 28, 2018

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

FINANCIAL HIGHLIGHTS

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

- Net position of governmental activities increased $4,785,500.
- General revenues accounted for $12,666,806 in revenue or 79% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions, accounted for $3,420,630 or 21% of total revenues of $16,087,436.
- The School District had $11,301,936 in expenses related to governmental activities; only $3,420,630 of these expenses were offset by program specific charges for services and sales, grants, and contributions.
- The School District has two major funds: the General Fund and the Bond Retirement Fund. All governmental funds had total revenues and other financing sources of $15,988,253 and expenditures of $16,535,372. The most significant change in fund balance was in the General fund.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Fund.

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

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

THE SCHOOL DISTRICT AS A WHOLE

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

Table 1
Net Position

	Governmental Activities	
	2018	2017*
Assets		
Current and Other Assets	$ 9,656,260	$ 9,806,731
Capital Assets, Net	38,812,688	39,808,617
Total Assets	48,468,948	49,615,348
Deferred Outflows of Resources		
Pensions	4,152,388	3,480,466
OPEB	163,697	32,079
Unamortized Deferred Amount on Refunding	344,273	368,016
Total Deferred Outflows of Resources	4,660,358	3,880,561
Liabilities		
Current and Other Liabilities	1,356,137	1,316,771
Long-Term Liabilities:		
Due Within One Year	346,666	342,117
Due in More than One Year:		
Net Pension Liabilities	13,884,378	18,752,336
Net OPEB Liabilities	3,301,037	4,000,089
Other Amounts	5,785,771	6,354,590
Total Liabilities	24,673,989	30,765,903
Deferred Inflows of Resources		
Pensions	812,143	496,191
OPEB	365,872	-
Property Taxes not Levied to Finance Current Year Operations	3,690,298	3,432,311
Total Deferred Inflows of Resources	4,868,313	3,928,502
Net Position		
Net Investment in Capital Assets	33,646,651	34,309,363
Restricted	1,756,282	1,904,894
Unrestricted	(11,815,929)	(17,412,753)
Total Net Position	$ 23,587,004	$ 18,801,504

*As restated – see Note 20 for additional information

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

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

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

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

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position. In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $22,769,514 to $18,801,504.

Total net position of the School District as a whole increased $4,785,500. Current assets decreased mainly due to a decrease in equity in pulled cash and investments. This decrease was partially offset by increases in taxes receivable and intergovernmental receivable. Capital assets, net decreased due to current year depreciation expense, which was partially offset by current year additions. Deferred outflows of resources increased due to changes in deferred outflows of resources related to pensions and OPEB.

Long-term liabilities decreased primarily due to decreases in net pension and net OPEB liabilities along with principal payments. Deferred inflows of resources increased primarily due to deferred inflows of resources related to pensions and OPEB.

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

Table 2
Changes in Net Position

	Governmental Activities 2018	Governmental Activities 2017*
Revenues		
Program Revenues		
Charges for Services and Sales	1,504,655	1,476,019
Operating Grants and Contributions	1,915,975	2,009,645
Total Program Revenues	3,420,630	3,485,664
General Revenues		
Property Taxes	4,535,038	4,779,420
Payments in Lieu of Taxes	-	1,397
Grants and Entitlements, Not Restricted to Specific Programs	7,963,262	7,829,877
Investment Earnings	26,084	5,189
Gifts and Donations, Not Restricted to Specific Programs	25,963	27,335
Gain on Sale of Capital Assets	4,264	7,854
Miscellaneous	112,195	87,825
Insurance Recoveries	-	22,859
Total General Revenues	12,666,806	12,761,756
Total Revenues	16,087,436	16,247,420
Program Expenses		
Instruction:		
Regular	3,214,109	7,009,774
Special	1,536,642	2,510,896
Vocational	25,961	97,303
Other	1,684,002	1,648,802
Support Services:		
Pupils	386,262	463,933
Instructional Staff	130,867	97,512
Board of Education	31,857	26,641
Administration	461,160	1,215,282
Fiscal	438,829	521,981
Business	200	400
Operation and Maintenance of Plant	1,196,998	1,351,482
Pupil Transportation	992,366	1,078,422
Central	141,045	219,832
Operation of Non-Instructional Services	566,207	635,704
Extracurricular Activities	206,287	271,258
Interest and Fiscal Charges	289,144	274,971
Total Expenses	11,301,936	17,424,193
Increase (Decrease) in Net Position	4,785,500	(1,176,773)
Net Position, Beginning of Year - As Restated	18,801,504	23,946,287
Net Position, End of Year	$ 23,587,004	$ 22,769,514

*Information for the implementation of GASB 75 with regards to expenses was not available and therefore amounts were not restated. See note 20 for additional information.

Governmental Activities

General revenues of $12,666,806 provide 79% of total revenues. Of this total, property taxes make up 36% and unrestricted grants and entitlements make up 63% of total general revenues. Charges for Services revenue increased from 2017 to 2018 due to an increase in tuition receipts, which was partially offset by decreases in extracurricular activity and customer sales and services revenues. The decrease in Operating Grants and Contribution revenue is due mainly to decreased funding in the Title I program. Property tax revenues decreased from 2017 to 2018 mainly due to timing of certain public utility payments.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 28% of governmental program expenses with special instruction comprising 14% of governmental expenses. Expenses decreased as a whole due to pension and OPEB activities.

The statement of activities shows the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements, property taxes, and other general revenues.

Table 3
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Instruction	$ 6,460,714	$ 4,546,494	$ 11,266,775	$ 9,139,710
Support Services	3,779,584	3,130,338	4,975,485	4,507,047
Operation of Non-Instructional Services	566,207	(123,250)	635,704	(58,597)
Extracurricular Activities	206,287	38,580	271,258	75,398
Interest and Fiscal Charges	289,144	289,144	274,971	274,971
Total	$ 11,301,936	$ 7,881,306	$ 17,424,193	$ 13,938,529

THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund had $13,462,766 in revenues and other financing sources and $13,810,844 in expenditures resulting in a decrease in fund balance of $348,078. The decrease is due to expenditures being greater than revenues. The Bond Retirement Fund had $481,472 in revenues and $790,389 in expenditures resulting in a decrease of fund balance of $308,917.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District made amendments to its General Fund budget. Final budgeted total revenues were $23,388 below the original budget of $13,375,925. The variance is primarily due to lower than anticipated intergovernmental revenue. Final total budgeted expenditures were $89,288 below the original budget of $13,825,453. The variance is due primarily to a decrease in budgeted expenditures as a result of conservative budgeting by the School District. The General Fund's ending unobligated cash balance was $2,491,587.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the School District had $38,812,688 invested in its capital assets. For additional information on capital assets, see Note 11 to the basic financial statements. Table 4 shows fiscal year 2018 balances compared to 2017.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	$ 268,763	$ 268,763
Land Improvements	23,347	25,125
Buildings and Improvements	36,049,241	36,996,833
Furniture and Equipment	1,841,232	1,973,661
Vehicles	630,105	544,235
Totals	$ 38,812,688	$ 39,808,617

Changes in capital assets from the prior year primarily resulted from depreciation and deletions which were partially offset by current year additions.

Debt

At June 30, 2018, the School District had general obligation bonds (including premiums) outstanding of $5,510,310. For additional information on debt, see Note 12 to the basic financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kevin Kendall, Treasurer at Eastern Local School District, 11479 US Highway 62, Winchester, Ohio 45697.

Eastern Local School District, Brown County
Statement of Net Position
June 30, 2018

		Governmental Activities
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Investments	$	4,141,806
Accounts Receivable		51
Intergovernmental Receivable		348,787
Prepaid Items		10,439
Taxes Receivable		5,155,177
Non-Depreciable Capital Assets		268,763
Depreciable Capital Assets, net		38,543,925
Total Assets		48,468,948
DEFERRED OUTFLOWS OF RESOURCES:		
Pensions:		
State Teachers Retirement System		3,437,746
School Employees Retirement System		714,642
OPEB:		
State Teachers Retirement System		119,186
School Employees Retirement System		44,511
Unamortized Deferred Amount on Refunding		344,273
Total Deferred Outflows of Resources		4,660,358
LIABILITIES:		
Current Liabilities:		
Accounts Payable		30,485
Accrued Wages and Benefits Payable		1,090,051
Intergovernmental Payable		185,674
Accrued Interest Payable		13,941
Matured Compensated Absences Payable		35,986
Non-Current Liabilities:		
Due Within One Year		346,666
Due in More Than One Year		
Net Pension Liability (See Note 8)		13,884,378
Net OPEB Liability (See Note 9)		3,301,037
Other Amounts Due in More Than One Year		5,785,771
Total Liabilities		24,673,989
DEFERRED INFLOWS OF RESOURCES:		
Pensions:		
State Teachers Retirement System		737,794
School Employees Retirement System		74,349
OPEB:		
State Teachers Retirement System		210,139
School Employees Retirement System		155,733
Property Taxes not Levied to Finance Current Year Operations		3,690,298
Total Deferred Inflows of Resources		4,868,313
NET POSITION:		
Net Investment in Capital Assets		33,646,651
Restricted for Debt Service		876,902
Restricted for Capital Outlay		536,625
Restricted for Classroom Facilities Maintenance		112,595
Restricted for Other Purposes		230,160
Unrestricted (Deficit)		(11,815,929)
Total Net Position	$	23,587,004

The notes to the basic financial statements are an integral part of this statement.

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

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Instruction:				
Regular	$ 3,214,109	$ 278,874	$ 113,332	$ (2,821,903)
Special	1,536,642	143,122	1,081,163	(312,357)
Vocational	25,961	3,217	42,854	20,110
Other	1,684,002	251,658	-	(1,432,344)
Support Services:				
Pupils	386,262	57,653	-	(328,609)
Instructional Staff	130,867	18,219	2,016	(110,632)
Board of Education	31,857	4,605	-	(27,252)
Administration	461,160	68,824	-	(392,336)
Fiscal	438,829	61,363	7,269	(370,197)
Business	200	30	-	(170)
Operation and Maintenance of Plant	1,196,998	150,746	122,386	(923,866)
Pupil Transportation	992,366	134,447	610	(857,309)
Central	141,045	21,078	-	(119,967)
Operation of Non-Instructional Services	566,207	215,799	473,658	123,250
Extracurricular Activities	206,287	95,020	72,687	(38,580)
Interest and Fiscal Charges	289,144	-	-	(289,144)
Total Governmental Activities	$ 11,301,936	$ 1,504,655	$ 1,915,975	(7,881,306)
General Revenues:				
Property Taxes Levied for:				
General Purposes				3,627,468
Building Maintenance				58,419
Debt Service				421,421
Permanent Improvement				427,730
Grants and Entitlements not Restricted to Specific Programs				7,963,262
Gifts and Donations not Restricted to Specific Programs				25,963
Investment Earnings				26,084
Gain on Sale of Capital Assets				4,264
Miscellaneous				112,195
Total General Revenues				12,666,806
Change in Net Position				4,785,500
Net Position Beginning of Year - As Restated				18,801,504
Net Position End of Year				$ 23,587,004

The notes to the basic financial statements are an integral part of this statement.

Eastern Local School District, Brown County
Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Investments	$ 2,712,525	$ 737,703	$ 691,578	$ 4,141,806
Accounts Receivable	51	-	-	51
Interfund Receivable	22,523		-	22,523
Intergovernmental Receivable	168,210	-	180,577	348,787
Prepaid Items	10,439	-	-	10,439
Taxes Receivable	4,128,377	481,682	545,118	5,155,177
Total Assets	$ 7,042,125	$ 1,219,385	$ 1,417,273	$ 9,678,783
LIABILITIES:				
Accounts Payable	$ 30,485	$ -	$ -	$ 30,485
Accrued Wages and Benefits Payable	1,000,484	-	89,567	1,090,051
Interfund Payable	-	-	22,523	22,523
Intergovernmental Payable	166,398	-	19,276	185,674
Matured Compensated Absences Payable	35,986	-	-	35,986
Total Liabilities	1,233,353	-	131,366	1,364,719
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	2,961,124	342,483	386,691	3,690,298
Unavailable Revenue - Delinquent Taxes	283,558	33,930	38,475	355,963
Unavailable Revenue - Grants	-	-	112,137	112,137
Total Deferred Inflows of Resources	3,244,682	376,413	537,303	4,158,398
FUND BALANCES:				
Nonspendable	10,439	-	-	10,439
Restricted	-	842,972	763,168	1,606,140
Committed	140,375	-	-	140,375
Assigned	189,756	-	-	189,756
Unassigned	2,223,520	-	(14,564)	2,208,956
Total Fund Balances	2,564,090	842,972	748,604	4,155,666
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 7,042,125	$ 1,219,385	$ 1,417,273	$ 9,678,783

The notes to the basic financial statements are an integral part of this statement.

Eastern Local School District, Brown County

Reconciliation of Total Governmental Fund Balances to

Net Position of Governmental Activities

June 30, 2018

Total Governmental Fund Balances		$	4,155,666
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			38,812,688
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Taxes	355,963		
Intergovernmental	112,137		
Total			468,100
The net pension and net OPEB liabilties are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds.			
Deferred outflows of resources related to pensions	4,152,388		
Deferred outflows of resources related to OPEB	163,697		
Deferred inflows of resources realted to pensions	(812,143)		
Deferred inflows of resources realted to OPEB	(365,872)		
Net Pension Liability	(13,884,378)		
Net OPEB Liability	(3,301,037)		
			(14,047,345)
Some liabilities and deferred outflows are not due and payable in the current period and therefore are not reported in the funds. Those liabilities and deferred outflows consist of:			
Compensated Absences	(622,127)		
Bonds Payable	(4,990,000)		
Unamortized Bond Premium	(520,310)		
Unamortized Deferred Amount on Refunding	344,273		
Accrued Interest Payable	(13,941)		
Total			(5,802,105)
Net Position of Governmental Activities		$	23,587,004

The notes to the basic financial statements are an integral part of this statement.

Eastern Local School District, Brown County

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	$ 3,601,774	$ 418,264	$ 482,682	$ 4,502,720
Intergovernmental	8,486,554	63,208	1,262,498	9,812,260
Interest	24,965	-	1,119	26,084
Tuition and Fees	1,173,012	-	-	1,173,012
Rent	263	-	-	263
Extracurricular Activities	-	-	77,665	77,665
Gifts and Donations	25,963	-	-	25,963
Customer Sales and Services	34,265	-	219,450	253,715
Miscellaneous	111,594	-	601	112,195
Total Revenues	13,458,390	481,472	2,044,015	15,983,877
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,593,961	-	176,629	5,770,590
Special	1,777,808	-	576,963	2,354,771
Vocational	89,199	-	-	89,199
Other	1,689,419	-	-	1,689,419
Support Services:				
Pupils	517,653	-	-	517,653
Instructional Staff	126,351	-	2,500	128,851
Board of Education	30,812	-	-	30,812
Administration	1,138,210	-	-	1,138,210
Fiscal	459,539	12,945	14,911	487,395
Business	200	-	-	200
Operation and Maintenance of Plant	1,063,833	-	185,656	1,249,489
Pupil Transportation	1,005,366	-	1,374	1,006,740
Central	152,267	-	-	152,267
Operation of Non-Instructional Services	-	-	587,750	587,750
Extracurricular Activities	163,822	-	90,155	253,977
Capital Outlay	2,404	-	298,201	300,605
Debt Service:				
Principal	-	620,000	-	620,000
Interest	-	157,444	-	157,444
Total Expenditures	13,810,844	790,389	1,934,139	16,535,372
Excess of Revenues Over (Under) Expenditures	(352,454)	(308,917)	109,876	(551,495)
Other Financing Sources:				
Proceeds from Sale of Capital Assets	4,376	-	-	4,376
Total Other Financing Sources	4,376	-	-	4,376
Net Change in Fund Balances	(348,078)	(308,917)	109,876	(547,119)
Fund Balances at Beginning of Year	2,912,168	1,151,889	638,728	4,702,785
Fund Balances at End of Year	$ 2,564,090	$ 842,972	$ 748,604	$ 4,155,666

The notes to the basic financial statements are an integral part of this statement.

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

Net Change in Fund Balances - Total Governmental Funds		$ (547,119)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Capital Asset Additions	300,605	
Current Year Depreciation	(1,296,422)	
Total		(995,817)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amount of the gain on the disposal of capital assets and the proceeds from the sale of capital assets.		
Proceeds from Sale of Capital Assets	(4,376)	
Gain on Sale of Capital Assets	4,264	
Total		(112)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	32,318	
Intergovernmental	66,977	
Total		99,295
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:		
Amortization of bond premium	35,883	
Payment on capital appreciation bonds	305,000	
Amortization of deferred amount on refunding	(23,743)	
Total		317,140
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:		
Bond payments	315,000	
Total		315,000
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,045,376
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension gain (expense) in the statement of activities.		4,217,449
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB gain (expense) in the statement of activities.		425,901
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in compensated absences payable	52,227	
Increase in Accreted Debt	(143,840)	
Total		(91,613)
Net Change in Net Position of Governmental Activities		$ 4,785,500

The notes to the basic financial statements are an integral part of this statement.

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Revenues and Other Financing Sources	$ 13,375,925	$ 13,352,537	$ 13,352,537	$ -
Total Expenditures	13,825,453	13,736,165	13,736,165	-
Net Change in Fund Balance	(449,528)	(383,628)	(383,628)	-
Fund Balance at Beginning of Year	2,849,762	2,849,762	2,849,762	-
Prior Year Encumbrances Appropriated	25,453	25,453	25,453	-
Fund Balance at End of Year	$ 2,425,687	$ 2,491,587	$ 2,491,587	$ -

The notes to the basic financial statements are an integral part of this statement.

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

	Agency Fund
ASSETS:	
Equity in Pooled Cash and Investments	$ 50,710
LIABILITIES:	
Undistributed Monies	$ 50,710

The notes to the basic financial statements are an integral part of this statement.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Eastern Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 143 square miles. It is located in Brown County and includes the Villages of Macon and Russellville and various townships within the County. It is staffed by 63 non-certified and 79 certified employees providing education to 1,355 students and other community members.

Reporting Entity

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

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

Entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District. These entities include the Boosters Club, Parent Teacher Organizations, and Alumni Associations.

The School District is associated with four organizations, two of which are defined as a jointly governed organizations and two as insurance purchasing pools of which one is also a public entity shared risk pool. These organizations are the South Central Ohio Computer Association Regional Council of Governments (SCOCAR COG), the Metropolitan Educational Technology Association (META), the Better Business Bureau of Central Ohio, Inc. Group Rating Plan (GRP), and the Brown County Schools Benefits Consortium. The Brown County Schools Benefits Consortium is made up of a public entity shared risk pool and an insurance purchasing pool. These organizations are presented in Notes 13, 14 and 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts. The funds of the School District fall within two categories: governmental and fiduciary.

Governmental Funds

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

General Fund

The General Fund is the general operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Bond Retirement Fund

The Bond Retirement Fund is a debt service fund used to account for the accumulation of financial resources restricted, committed, or assigned for the payment of general long-term debt. The major source of revenue for this fund is tax levy proceeds.

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

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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The School District's only fiduciary fund is an agency fund, which is used to account for student-managed activities.

Basis of Presentation

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

Measurement Focus

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred outflows of resouces related to unamortized deferred amounts on refunding, the recording of deferred inflows and outflows of resources related to net pension liabilities and net OPEB liabilities, and the recording of net pension liabilities and net OPEB liabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 5) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for the unamortized portion of the deferred amount on refunding of bonds as of June 30, 2018 and for pensions and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Note 8 and Note 9, respectively. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period and pensions and other postemployment benefits. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to grants and delinquent property taxes not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension and other postemployment benefits are only reported on the Statement of Net Position.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2018.

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

Cash and Cash Equivalents

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

During fiscal year 2018, the School District's investments were limited to funds invested in Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, and negotiable certificates of deposit. All investments are reported at market value.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment of deposits.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund and All Other Governmental Funds during fiscal year 2018 amounted to $24,965, and $1,119, respectively.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be pooled cash and investments and are reported as "Equity in Pooled Cash and Investments" in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of $1,500. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. The School District does not capitalize interest for capital asset purchases. All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	5-20 years
Building and Improvements	30-40 years
Furniture and Equipment	5-20 years
Vehicles	5 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds are recognized as a liability on the government-wide financial statements when due.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

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

The government-wide statement of net position reports $1,756,282 in restricted net position, none of which is restricted by enabling legislation.

Interfund Transactions and Balances

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Interfund transfers within governmental activities are eliminated in the statement of activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as either “due to/from other funds” or as “Interfund receivable/payable.” All unpaid reimbursements between fund are reported as “due to/from other funds.” These amounts are eliminated in the governmental activities column of the statement of net position.

Fund Balance

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (continued)

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

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

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

Estimates

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

Bond Premiums/Issuance Costs/ Gain or Loss on Advance Refunding

In the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition of the face amount of the bonds payable whereas bond issuance costs are expensed in the year incurred.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the current period.

In the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow/outflow of resources on the Statement of Net Position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, 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/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Prepaid Items

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget (budgetary basis) and actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis).

4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance

	General
GAAP Basis	($348,078)
Adjustments:	
Revenue Accruals	(8,631)
Expenditure Accruals	91,124
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(63,737)
Encumbrances	(54,306)
Budget Basis	($383,628)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Deposits: Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $1,767,186 of the School District's bank balance of $2,498,344 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

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

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

Investments: As of June 30, 2018, the School District had the following investments and maturities:

		Investment Maturities (in years)		
Description:	Fair Value	Less than 1	1 - 2	3 - 5
Negotiable Certificates of Deposit	$ 240,878	$ -	$ 240,878	$ -
Federal Home Loan Bank Bonds	630,714	-	-	630,714
Federal Home Loan Mortgage Corpoaration Bonds	991,680	-	-	991,680
Total Investments	$ 1,863,272	$ -	$ 240,878	$ 1,622,394

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2018.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages it exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At year end, the School District's investments were limited to Certificates of Deposits, Federal Home Loan Bank Bonds and Federal Home Loan Mortgage Corporation Bonds. Investments in Federal Home Loan Bank Bonds and Federal Home Loan Mortgage Coporation Bonds were rated AA+ by Standard & Poor's and Aaa by Moody's. The School District's investment policy does not address credit risk beyond allowing investments as authorized in the Ohio Revised Code.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District's investment policy allows investments as authorized in the Ohio Revised Code. The School District has invested 12.93% in Certificates of Deposits, 53.22% in Federal Home Loan Bank Bonds, and 33.85% in Federal Home Loan Mortgage Corporation Bonds.

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District. Of the School District's investment in money market funds, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. The School District's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code.

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half 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 School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State 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 revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected in 2018 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 assessed values upon which fiscal year 2018 taxes were collected are:

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$ 187,299,710	93.12%	$ 189,475,050	93.24%
Public Utility	13,831,000	6.88%	13,735,900	6.76%
Total Assessed Value	$ 201,130,710	100.00%	$ 203,210,950	100.00%
Tax rate per $1,000 of assessed valuation	$ 32.80		$ 37.20	

The School District receives property taxes from Adams, Brown and Highland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018 are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NOTE 5 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding, the late settlement of personal property taxes and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2018, was $883,695 in the General Fund, $105,269 in the Debt Service Fund and $119,952 in all other governmental funds.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2018, consisted of property taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs, and the current year guarantee of federal funds.

A summary of the intergovernmental receivables follows at June 30, 2018:

	Amounts
Major Fund:	
General	$ 168,210
Non-Major Funds:	
Food Service	13,376
Special Education, IDEA Part B	50,090
Title I	117,111
Total Non-Major Funds	180,577
Total Intergovernmental Receivables	$ 348,787

NOTE 7 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with Ohio School Plan for general liability insurance with a $1,000,000 single occurrence limit and a $5,000,000 aggregate. Property is protected by the Ohio School Plan in the amount of $59,873,765. The School District's vehicles are covered by the Ohio School Plan and hold a $1,000 deductible for buses and $250 for all other autos for comprehensive and a $1,000 deductible for buses and $500 for all other autos for collision with a $3,000,000 limit on any accident. Violence coverage is provided by the Ohio School Plan with a $1,000,000 single occurrence and aggregate.

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

For fiscal year 2018, the School District participated in Better Business Bureau of Central Ohio, Inc. Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each 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 Sheakley UniService. provides administrative, cost control and actuarial services to the GRP.

NOTE 7 - RISK MANAGEMENT (Continued)

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk pool (Note 15) consisting of nine districts. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member assumes and is responsible for the payment of any delinquent contributions.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School 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.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year in included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, 13.5% was designated to pension, death benefits, and Medicare B. There was 0.5% allocated to the Health Care Fund for fiscal year 2018.

The School District's contractually required contribution to SERS was $306,795 for fiscal year 2018. Of this amount $18,642 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee 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 Web site at www.strsoh.org.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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 was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until Aug. 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was $699,684 for fiscal year 2018. Of this amount $125,432 is reported as an intergovernmental payable.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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

The net pension liability reported as of June 30, 2018 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability - Current Year	0.0587029%	0.04368308%	
Proportionate Share of the Net Pension Liability - Prior Year	0.0585071%	0.04322932%	
Change in Proportionate Share	0.0001958%	0.00045376%	
Proportion of the Net Pension Liability	$3,507,369	$10,377,009	$13,884,378
Pension Expense (Gain)	($124,746)	($4,092,703)	($4,217,449)

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

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$ 150,944	$ 400,712	$ 551,656
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	75,534	67,784	143,318
Changes of assumptions	181,369	2,269,566	2,450,935
School District contributions subsequent to the measurement date	306,795	699,684	1,006,479
Total	$ 714,642	$ 3,437,746	$ 4,152,388

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$ -	$ 83,635	$ 83,635
Differences between projected and actual investment earnings	16,649	342,453	359,102
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	57,700	311,706	369,406
Total	$ 74,349	$ 737,794	$ 812,143

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

$1,006,479 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$147,170	$352,526	$499,696
2020	204,653	837,339	1,041,992
2021	63,439	646,047	709,486
2022	(81,764)	164,356	82,592
Total	$333,498	$2,000,268	$2,333,766

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, 2017, are presented below:

Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Inflation	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – SERS (continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged 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 asset class are summarized in the following table:

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$4,867,316	$3,507,369	$2,368,135

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017
Payroll Increases	3.00%

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

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

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

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – STRS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$14,875,090	$10,377,009	$6,588,051

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2018, none of the members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 9 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

NOTE 9 – DEFINED BENEFIT OPEB PLANS (Continued)

Net OPEB Liability (continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $30,394.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $38,897 for fiscal year 2018.

NOTE 9 – DEFINED BENEFIT OPEB PLANS (Continued)

State Teachers Retirement System

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

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

Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.05922650%	0.04322932%	
Proportion of the Net OPEB Liability Current Measurement Date	0.05949480%	0.04368308%	
Change in Proportionate Share	0.00026830%	0.00045376%	
Proportionate Share of the Net OPEB Liability	$1,596,684	$1,704,353	$3,301,037
OPEB Expense (Gain)	$90,708	($516,609)	($425,901)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (Continued)

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

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$ -	$ 98,386	$ 98,386
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	5,614	20,800	26,414
School District contributions subsequent to the measurement date	38,897	-	38,897
Total	$ 44,511	$ 119,186	$ 163,697

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Differences between projected and actual investment earnings	$ 4,216	$ 72,848	$ 77,064
Changes of assumptions	151,517	137,291	288,808
Total	$ 155,733	$ 210,139	$ 365,872

$38,897 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($53,917)	($21,229)	($75,146)
2020	(53,917)	(21,229)	(75,146)
2021	(41,231)	(21,229)	(62,460)
2022	(1,054)	(21,229)	(22,283)
2023	0	(3,017)	(3,017)
Thereafter	0	(3,020)	(3,020)
Total	($150,119)	($90,953)	($241,072)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

NOTE 9 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – SERS (continued)

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

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

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

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

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

NOTE 9 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – SERS (continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$1,928,199	$1,596,684	$1,334,039

NOTE 9 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – SERS (continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	$1,295,590	$1,596,684	$1,995,188

Actuarial Assumptions - STRS

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

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

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

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

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

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

NOTE 9 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – STRS (continued)

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

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

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

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

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

NOTE 9 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – STRS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$2,288,066	$1,704,353	$1,243,028

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$1,184,111	$1,704,353	$2,389,051

NOTE 10 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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 do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each year under contract. Sick leave may be accumulated up to a maximum of 220 days for teachers and classified personnel. Administrators with a 242 day contract may accumulate up to a maximum of 286 days, with a 222 day contract may accumulate up to a maximum of 264 days, and with a 202 day contract may accumulate up to 242 days. Upon retirement, payment is made for one-fourth of the maximum allowable accumulation for teachers, administrators, and classified personnel.

NOTE 10 - EMPLOYEE BENEFITS (continued)

Other Employee Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Lincoln National Life. Dental insurance is provided by the School District to all employees through Dental Care Plus. Vision insurance is provided by the School District to all employees through Vision Service Plan.

Early Retirement Incentive

The School District offers an Early Retirement Incentive (Super-Severance) program to all certified employees. The employee must retire in the first year they become eligible. For these employees, they must give written notice to the Superintendent by April 1st of the year he/she becomes eligible for "full retirement."

NOTE 11 – CAPITAL ASSETS

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

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	$ 268,763	$ -	$ -	$ 268,763
Total Capital Assets, Not Being Depreciated	268,763	-	-	268,763
Capital Assets Being Depreciated				
Land Improvements	341,122	2,975	-	344,097
Buildings and Improvements	45,287,443	-	-	45,287,443
Furniture and Equipment	4,391,553	120,930	(19,526)	4,492,957
Vehicles	1,672,514	176,700	(112,138)	1,737,076
Total Capital Assets Being Depreciated	51,692,632	300,605	(131,664)	51,861,573
Less: Accumulated Depreciation:				
Land Improvements	(315,997)	(4,753)	-	(320,750)
Buildings and Improvements	(8,290,610)	(947,592)	-	(9,238,202)
Furniture and Equipment	(2,417,892)	(253,247)	19,414	(2,651,725)
Vehicles	(1,128,279)	(90,830)	112,138	(1,106,971)
Total Accumulated Depreciation	(12,152,778)	(1,296,422)	131,552	(13,317,648)
Total Capital Assets Being Depreciated, Net	39,539,854	(995,817)	(112)	38,543,925
Governmental Capital Assets, Net	$ 39,808,617	$ (995,817)	$ (112)	$ 38,812,688

NOTE 11 – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$1,171,361
Special	950
Vocational	4,437
Support Services:	
Pupils	468
Instructional Staff	6,455
Board of Education	1,045
Administration	618
Fiscal	357
Operation and Maintenance of Plant	17,052
Pupil Transportation	91,321
Operation of Non-Instructional Services	2,358
Total Depreciation Expense	$1,296,422

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2018 were as follows:

	Principal Outstanding 06/30/17*	Additions	Deductions	Principal Outstanding 06/30/18	Due Within One Year
School Construction/Remodeling Bonds 1995 6.25%	$ 315,000	$ -	$ (315,000)	$ -	$ -
Classroom Facilities General Obligation Bonds 2014 1% - 4.00%	4,990,000	-	-	4,990,000	300,000
Premium	556,193	-	(35,883)	520,310	-
2014 Capital Appreciation Bonds	6,076	-	(6,076)	-	-
2014 Capital Appreciation Bonds Accretion	155,084	143,840	(298,924)	-	-
Total Long-Term Bonds	6,022,353	143,840	(655,883)	5,510,310	300,000
Net Pension Liability:					
STRS	14,470,156	-	(4,093,147)	10,377,009	-
SERS	4,282,180	-	(774,811)	3,507,369	-
Total Net Pension Liability	18,752,336	-	(4,867,958)	13,884,378	-
Net OPEB Liability:					
STRS	2,311,915	-	(607,562)	1,704,353	-
SERS	1,688,174	-	(91,490)	1,596,684	-
Total Net OPEB Liability	4,000,089	-	(699,052)	3,301,037	-
Compensated Absences	674,354	770,229	(822,456)	622,127	46,666
Total General Long-Term Obligations	$ 29,449,132	$ 914,069	$ (7,045,349)	$ 23,317,852	$ 346,666

*As Restated

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

On March 1, 1995, the School District issued $3,340,000 in voted general obligation bonds for the purpose of constructing, remodeling, reconstructing and adding to school buildings. The bonds were issued for a twenty-three year period and were retired in fiscal year 2018. The bonds are being retired from the Bond Retirement Fund.

On October 16, 2014, the School District issued $5,129,999 in Classroom Facilities General Obligation Bonds, advance refunding $5,130,000 of the Classroom Facilities General Obligation Bonds issued in 2006. The bonds were issued for a 17 year period with final maturity on December 1, 2031. The bonds are being retired with property taxes from the Debt Service Fund.

The advance refunding of the Classroom Facilities General Obligation Bonds 2006 resulted in a difference of $427,374 between the net carrying amount of the debt and the acquisition price. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization for fiscal year 2018 was $23,743.

$5,120,000 of the 2014 bonds are considered current interest bonds (serial bonds) which will be redeemed over a period through December 1, 2031. Of the $9,999 in capital appreciation bonds, $3,923 matured December 1, 2016 while the remaining $6,076 matured on December 1, 2017. These bonds have an equivalent interest rate of 178.50474%. and the full value of $55,000 matured at December 1, 2016, while the full value of $305,000 matured on December 31, 2017. These bonds were accreted $143,840 during fiscal year 2018.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences are being paid from the funds from which the employees' salaries are paid with the General Fund being the most significant fund.

The School District's overall legal debt margin was $13,298,986 with an unvoted debt margin of $203,211at June 30, 2018. Principal and interest requirements to retire general obligation debt at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds 2014 Principal	School Improvement Bonds 2014 Interest	Total
2019	$ 300,000	$ 145,348	$ 445,348
2020	310,000	140,775	450,775
2021	315,000	135,300	450,300
2022	320,000	128,950	448,950
2023	325,000	122,500	447,500
2024-2028	1,775,000	472,577	2,247,577
2029-2032	1,645,000	134,900	1,779,900
Totals	$4,990,000	$ 1,280,350	$ 6,270,350

NOTE 13 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association Council of Governments

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

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG $0 for services provided during the fiscal year.

Metropolitan Educational Technology Association - META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META $52,756 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

NOTE 14 - INSURANCE PURCHASING POOL

Better Business Bureau of Central Ohio, Inc. Group Rating Plan

The School District participates in the Better Business Bureau of Central Ohio, Inc. Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

NOTE 15 - PUBLIC ENTITY SHARED RISK POOL

Brown County Schools Benefits Consortium

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide health insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley-Union-Lewis-Huntington, Southern Hills Joint Vocational and Western Brown Schools) and two Highland County school districts

NOTE 15 - PUBLIC ENTITY SHARED RISK POOL (continued)

Brown County Schools Benefits Consortium (continued)

(Lynchburg-Clay and Bright Schools) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objectives of the consortium are to formulate and administer a program of health and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with Humana to provide medical insurance directly to consortium member employees. The School District pays premiums to the consortium based on employee membership. For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to Brown County Educational Service Center at 9231-B Hamer Road, Georgetown, Ohio 45121.

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2017	$ -
Current Year Set-aside Requirement	240,777
Current Year Offsets	(240,777)
Qualifying Disbursements	-
Set-aside Balance as of June 30, 2018	$ -
Set-aside Reserve Balance as of June 30, 2018	$ -

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Capital Acquisition Reserve. The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was $7,089,465 at June 30, 2018.

NOTE 17 - CONTINGENCIES

Grants

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

NOTE 17 – CONTINGENCIES (continued)

Litigation

The School District is not party to legal proceedings.

Foundation

School District Foundation 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 school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018. 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 School District.

NOTE 18 – ACCOUNTABILITY

At June 30, 2018, the Food Service, IDEA Part B, Title I Disadvantaged Children, had fund balance deficits of $1,694, $10,448, and $2,422, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 19 – FUND BALANCES

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

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Inventory	$ 10,439	$ -	$ -	$ 10,439
Restricted for				
Athletics	-	-	50,699	50,699
Classroom Facility and Maintenance	-	-	108,048	108,048
Other Purposes	-	-	101,724	101,724
Capital Projects	-	-	502,697	502,697
Debt Services Payments	-	842,972	-	842,972
Total Restricted	-	842,972	763,168	1,606,140
Committed to				
Retirement Severance Benefits	140,375	-	-	140,375
Assigned to				
Encumbrances	67,291	-	-	67,291
FY2019 Appropriations	122,465	-	-	122,465
Total Assigned	189,756	-	-	189,756
Unassigned (Deficit)	2,223,520	-	(14,564)	2,208,956
Total Fund Balances	$ 2,564,090	$ 842,972	$ 748,604	$ 4,155,666

NOTE 20 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73,* and GASB Statement No. 85, *Omnibus 2017.*

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 had the following effect on the financial statements of the School District and certain additional disclosures have been made in the notes to the basic financial statements.

Net position, July 1, 2017-As previously stated	$22,769,514
School District Share of Beginning Plan Net OPEB Liability	(4,000,089)
School District Share of 2017 Employer Contributions	32,079
Net position, July 1, 2017-As restated	$18,801,504

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB Statement No. 82 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 did not have an effect on the financial statements of the School District.

Eastern Local School District, Brown County
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Years

	2017	2016	2015	2014	2013
Total plan pension liability	$ 19,588,417,687	$ 19,770,708,121	$ 18,503,280,961	$ 17,881,827,171	$ 17,247,161,078
Plan net position	13,613,638,590	12,451,630,823	12,797,184,030	12,820,884,107	11,300,482,029
Net pension liability	5,974,779,097	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.0587029%	0.0585071%	0.0591720%	0.0589720%	0.0589720%
School District's proportionate share of the net pension liability	$ 3,507,369	$ 4,282,180	$ 3,376,412	$ 2,984,539	$ 3,506,876
School District's covered-employee payroll	$ 1,925,307	$ 1,817,014	$ 1,781,335	$ 1,713,615	$ 2,046,012
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	182.17%	235.67%	189.54%	174.17%	171.40%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Eastern Local School District, Brown County
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Five Years

	2017	2016	2015	2014	2013
Total plan pension liability	$ 96,126,440,462	$ 100,756,422,489	$ 99,014,653,744	$ 96,167,057,104	$ 94,366,693,720
Plan net position	72,371,226,119	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	23,755,214,343	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.04368308%	0.04322932%	0.04383373%	0.04516632%	0.04516632%
School District's proportionate share of the net pension liability	$ 10,377,009	$ 14,470,156	$ 12,114,361	$ 10,986,012	$ 13,086,466
School District's covered-employee payroll	$ 4,802,421	$ 4,548,557	$ 4,573,314	$ 4,614,892	$ 4,868,854
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	216.08%	318.13%	264.89%	238.06%	268.78%
Plan fiduciary net position as a percentage of the total pension liability	75.29%	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2013 is not available.

Eastern Local School District, Brown County
Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 306,795	$ 269,543	$ 254,382	$ 234,780	$ 237,507	$ 283,168	$ 262,713	$ 248,876	$ 307,818	$ 169,279
Contributions in relation to the contractually required contribution	(306,795)	(269,543)	(254,382)	(234,780)	(237,507)	(283,168)	(262,713)	(248,876)	(307,818)	(169,279)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's covered-employee payroll	$ 2,272,556	$ 1,925,307	$ 1,817,014	$ 1,781,335	$ 1,713,615	$ 2,046,012	$ 1,953,257	$ 1,979,920	$ 2,273,397	$ 1,720,315
Contributions as a percentage of covered employee payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

Eastern Local School District, Brown County
Required Supplementary Information
Schedule of School District Pension Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 699,684	$ 672,339	$ 636,798	$ 640,264	$ 599,936	$ 632,951	$ 642,792	$ 634,485	$ 671,012	$ 676,360
Contributions in relation to the contractually required contribution	(699,684)	(672,339)	(636,798)	(640,264)	(599,936)	(632,951)	(642,792)	(634,485)	(671,012)	(676,360)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District covered-employee payroll	$ 4,997,743	$ 4,802,421	$ 4,548,557	$ 4,573,314	$ 4,614,892	$ 4,868,854	$ 4,944,554	$ 4,880,654	$ 5,161,631	$ 5,202,769
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Eastern Local School District, Brown County

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability

School Employees Retirement System of Ohio

Last Two Years

	2017	**2016**
Total plan OPEB liability	$ 3,065,846,821	$ 3,220,574,434
Plan net position	382,109,560	370,204,515
Net OPEB liability	2,683,737,261	2,850,369,919
School District's proportion of the net OPEB liability	0.0594948%	0.0592265%
School District's proportionate share of the net OPEB liability	$ 1,596,684	$ 1,688,174
School District's covered-employee payroll	$ 1,925,307	$ 1,817,014
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	82.93%	92.91%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

(1) Information prior to 2016 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

Eastern Local School District, Brown County

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability

State Teachers Retirement System of Ohio

Last Two Years

	2017	2016
Total plan OPEB liability	$ 7,377,410,000	$ 8,533,654,000
Plan net position	3,475,779,000	3,185,628,000
Net OPEB liability	3,901,631,000	5,348,026,000
School District's proportion of the net OPEB liability	0.04368308%	0.04322932%
School District's proportionate share of the net OPEB liability	$ 1,704,353	$ 2,311,915
School District's covered-employee payroll	$ 4,802,421	$ 4,548,557
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	35.49%	50.83%
Plan fiduciary net position as a percentage of the total OPEB liability	47.11%	37.33%

(1) Information prior to 2016 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

Eastern Local School District, Brown County

Required Supplementary Information

Schedule of School District OPEB Contributions

School Employees Retirement System of Ohio

Last Three Years

	2018	**2017**	**2016**
Contractually required contribution	$ 38,897	$ 32,079	$ -
Contributions in relation to the contractually required contribution	(38,897)	(32,079)	-
Contribution deficiency (excess)	$ -	$ -	$ -
School District's covered-employee payroll	$ 2,272,556	$ 1,925,307	$ 1,817,014
Contributions as a percentage of covered employee payroll	1.71%	1.67%	0.00%

(1) Information prior to 2016 is not available.

Eastern Local School District, Brown County

Required Supplementary Information

Schedule of School District OPEB Contributions

State Teachers Retirement System of Ohio

Last Three Years

	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
School District covered-employee payroll	$ 4,997,743	$ 4,802,421	$ 4,548,557
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

Eastern Local School District, Brown County
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended June 30, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Passed Through to Subrecipients	Disbursements
United States Department of Agriculture				
Passed through the Ohio Department of Education				
Nutrition Cluster:				
School Breakfast Program, 17-18	3L70	10.553	-	87,777
National School Lunch Program, 17-18	3L60	10.555	-	313,115
Total Nutrition Cluster			-	400,892
Total United States Department of Agriculture			-	400,892
United States Department of Education				
Passed through the Ohio Department of Education				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies, 16-17	3M00	84.010	-	56,368
Title I Grants to Local Educational Agencies, 17-18	3M00	84.010	-	296,906
Total Title I, Part A Cluster				353,274
Special Education Cluster:				
Special Education- Grants to States, 16-17	3M20	84.027	-	42,678
Special Education- Grants to States, 17-18	3M20	84.027	-	242,104
Total Special Education Cluster			-	284,782
Rural and Low Income 17-18	3Y80	84.358	-	22,540
Title IV-A	3HI0	84.424		10,000
Improving Teacher Quality State Grants, 16-17	3Y60	84.367	-	13,115
Improving Teacher Quality State Grants, 17-18	3Y60	84.367	-	61,660
Total United States Department of Education			-	745,371
Total Federal Financial Assistance			-	1,146,263

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Eastern Local School District, Brown County

Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Eastern Local School District (the District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DONATION

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

NOTE D – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Eastern Local School District
Brown County
11479 US Highway 62
Winchester, Ohio 45697

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eastern Local School District, Brown County, (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 28, 2018, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
November 28, 2018

bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

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

Eastern Local School District
Brown County
11479 US Highway 62
Winchester, Ohio 45697

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Eastern Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Eastern Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on the Major Federal Program

In our opinion, Eastern Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
November 28, 2018

Eastern Local School District, Brown County

Schedule of Findings
2 CFR § 200.515
June 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal controls reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

Eastern Local School District, Brown County

Schedule of Findings
2 CFR § 200.515
June 30, 2018

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

None

2. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS

None

EASTERN LOCAL SCHOOL DISTRICT

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 27, 2018