

EASTERN LOCAL SCHOOL DISTRICT
BROWN COUNTY, OHIO

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2023



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

We have reviewed the *Independent Auditor's Report* of Eastern Local School District, Brown County, prepared by Julian & Grube, Inc., for the audit period July 1, 2022 through June 30, 2023. 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. Eastern Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 04, 2024

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**EASTERN LOCAL SCHOOL DISTRICT
BROWN COUNTY, OHIO**

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Independent Auditor's Report

Eastern Local School District
Brown County
11479 U.S. Highway 62
Winchester, Ohio 45697

To the Members of the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Brown County, Ohio, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Eastern Local School District's basic financial statements as listed in the table of contents.

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, as of June 30, 2023, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Eastern Local School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 22 to the financial statements, the Eastern Local School District revised their capital asset policies resulting in changes in their capital asset and accumulated depreciation balances. Our opinions were not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Eastern Local School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Eastern Local School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Eastern Local School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, schedules of net pension and other postemployment benefit assets and liabilities and pension and other postemployment benefit contributions* listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eastern Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2024 on our consideration of the Eastern Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Eastern Local School District's 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 Eastern Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
August 28, 2024

Eastern Local School District, Brown County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

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, 2023. 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 2023 are as follows:

- Net position of governmental activities increased \$855,131.
- General revenues accounted for \$14,504,426 in revenue or 80% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions, accounted for \$3,624,440 or 20% of total revenues of \$18,128,866.
- The School District had \$17,273,735 in expenses related to governmental activities; only \$3,624,440 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 \$18,138,362 and expenditures of \$17,368,805. 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

The analysis of the School District as a whole begins with the Statement of Net Position and the Statement of Activities. These statements provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

Eastern Local School District, Brown County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

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 has only one kind of activity.

- **Governmental Activities.** Most of the School District's programs and services are reported here including instruction and support services.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. 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.

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Eastern Local School District, Brown County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2023 compared to 2022.

Table 1
Net Position

	2023	2022*
Assets		
Current and Other Assets	\$ 16,728,068	\$ 14,892,738
Net OPEB Asset	994,396	806,922
Capital Assets, Net	33,389,509	33,945,233
Total Assets	51,111,973	49,644,893
Deferred Outflows of Resources		
Pensions	2,512,509	2,602,022
OPEB	240,803	303,015
Unamortized Deferred Amount on Refunding	225,558	249,301
Total Deferred Outflows fo Resources	2,978,870	3,154,338
Liabilities		
Current and Other Liabilities	1,281,664	1,131,829
Long-Term Liabilities:		
Due Within One Year	446,703	471,588
Due in More than One Year:		
Net Pension Liabilities	11,101,323	6,707,020
Net OPEB Liabilities	680,493	961,464
Other Amounts	4,634,469	5,008,474
Total Liabilities	18,144,652	14,280,375
Deferred Inflows of Resources		
Pensions	1,434,537	5,863,807
OPEB	1,743,887	1,667,094
Property Taxes not Levied to Finance Current Year Operations	4,707,634	3,782,953
Total Deferred Inflows of Resources	7,886,058	11,313,854
Net Position		
Net Investment in Capital Assets	30,273,119	29,291,565
Restricted	2,920,796	2,734,579
Unrestricted	(5,133,782)	(4,821,142)
Total Net Position	28,060,133	27,205,002

*Reflects restatement in Capital Assets per Note 22

Eastern Local School District, Brown County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2023 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other post-employment benefits (OPEB) liability (asset) is another significant liability (asset) reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,." 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 (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability (asset)*. 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 (asset) 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. If there is a net OPEB asset, it will be reported in the asset 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 (asset), respectively, not accounted for as deferred inflows/outflows.

Eastern Local School District, Brown County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

Total net position of the School District as a whole increased \$855,131. Current assets and other assets increased primarily due to an increase in equity in pooled cash and investments as well as an increase in taxes receivable. These increases were partially offset by a decrease in intergovernmental receivables. Capital assets, net decreased due to current year depreciation expense and disposals. These decreases were partially offset by current year additions. Deferred outflows of resources increased primarily due to changes in deferred outflows of resources related to pensions and OPEB. These changes are due to actuarial calculations at the State level over which the School District has no control. Current liabilities increased over the prior year primarily due to increased accrued wages and benefits payable and accounts payable. Long-term liabilities increased primarily due to increases in net pension liabilities which were partially offset by decreases in net OPEB liabilities along with principal payments on debt. Deferred inflows of resources increased primarily due to changes in deferred inflows of resources related to pensions and increases in property taxes not levied to finance current year operations.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2023 and 2022.

Table 2
Changes in Net Position

	Governmental Activities <u>2023</u>	Governmental Activities <u>2022</u>
Revenues		
Program Revenues		
Charges for Services and Sales	555,598	351,904
Operating Grants and Contributions	3,068,842	2,627,875
Capital Grants and Contributions	-	-
Total Program Revenues	<u>3,624,440</u>	<u>2,979,779</u>
General Revenues		
Property Taxes	5,919,642	6,284,747
Grants and Entitlements, Not Restricted to Specific Programs	8,251,009	8,144,740
Investment Earnings	209,565	(53,084)
Gifts and Donations, Not Restricted to Specific Programs	17,675	44,965
Gain on Sale of Capital Assets	7,801	-
Miscellaneous	98,734	95,787
Total General Revenues	<u>14,504,426</u>	<u>14,517,155</u>
Total Revenues	<u>18,128,866</u>	<u>17,496,934</u>
Program Expenses		
Instruction:		
Regular	7,555,098	6,239,143
Special	2,946,368	2,560,688
Vocational	98,065	70,908
Student Intervention Services	7,000	-
Other	322,391	347,142
Support Services:		
Pupils	809,569	730,559
Instructional Staff	129,600	145,122
Board of Education	41,985	28,884
Administration	1,163,024	958,967
Fiscal	563,815	478,454
Business	1,537	1,275
Operation and Maintenance of Plant	1,376,533	1,311,807
Pupil Transportation	1,046,734	938,637
Central	163,368	127,633
Operation of Non-Instructional Services	627,759	577,785
Extracurricular Activities	292,600	255,238
Interest and Fiscal Charges	128,289	139,311
Total Expenses	<u>17,273,735</u>	<u>14,911,553</u>
Increase (Decrease) in Net Position	855,131	2,585,381
Net Position, Beginning of Year*	<u>27,205,002</u>	N/A
Net Position, End of Year	<u>\$ 28,060,133</u>	<u>\$ 27,205,002</u>

*Updated 2023 beginning Net Position per Note 22. Did not update 2022 column other than ending net position.

Eastern Local School District, Brown County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

Governmental Activities

General revenues of \$14,504,426 provide 80% of total revenues. Of this total, property taxes make up 41% and unrestricted grants and entitlements make up 57% of total general revenues. Most of the revenues remained fairly consistent with the prior year with the exception of charges for services and operating grants. Charges for services and operating grants increased from 2022 to 2023 mainly due to tuition and fees received during 2023 and an increase in intergovernmental monies received for the ESSER program.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 44% of governmental program expenses with special instruction comprising 17% of governmental expenses. Expenses increased as a whole primarily due to increased pension liabilities due to actuarial calculations as well as increased spending related to the ESSER program.

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	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2023	2023	2022	2022
Instruction	\$ 10,928,922	\$ 8,629,370	\$ 9,217,881	\$ 7,336,191
Support Services	5,296,165	4,953,319	4,721,338	4,478,629
Operation of Non-Instructional Services	627,759	(140,995)	577,785	(100,847)
Extracurricular Activities	292,600	79,312	255,238	78,490
Interest and Fiscal Charges	128,289	128,289	139,311	139,311
Total	\$ 17,273,735	\$ 13,649,295	\$ 14,911,553	\$ 11,931,774

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 \$13,887,940 in revenues and other financing sources and \$13,323,683 in expenditures resulting in an increase in fund balance of \$564,257. The increase is due to revenues being greater than expenditures. The Bond Retirement Fund had \$611,549 in revenues and \$464,357 in expenditures resulting in an increase of fund balance of \$147,192.

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 2023, the School District made amendments to its General Fund budget. Final budgeted total revenues were \$14,178,022, above the original budget of \$13,393,179. Final total budgeted expenditures were \$13,221,659 below the original budget of \$14,532,885. 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 \$5,893,690.

Eastern Local School District, Brown County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the School District had \$33,389,509 invested in its capital assets. For additional information on capital assets, see Note 11 to the basic financial statements. Table 4 shows fiscal year 2023 balances compared to 2022.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2023	2022*
Land	\$ 268,763	\$ 268,763
Construction in Progress	284,000	-
Land Improvements	36,902	26,992
Buildings and Improvements	31,638,381	32,410,452
Furniture and Equipment	624,601	761,496
Vehicles	536,862	477,530
Totals	\$ 33,389,509	\$ 33,945,233

* Restated per changes in Note 22

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, 2023, the School District had general obligation bonds (including premiums) outstanding of \$3,760,895 and financed purchase obligations outstanding of \$677,937. For additional information on debt and financed purchase obligations, 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, 2023

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 9,685,177
Accrued Interest Receivable	10,221
Accounts Receivable	7,965
Intergovernmental Receivable	167,967
Prepaid Items	11,940
Taxes Receivable	6,844,798
Noncurrent Assets:	
Net OPEB Asset	994,396
Non-Depreciable Capital Assets	552,763
Depreciable Capital Assets, net	32,836,746
<i>Total Assets</i>	51,111,973
DEFERRED OUTFLOWS OF RESOURCES:	
Pensions:	
State Teachers Retirement System	2,098,107
School Employees Retirement System	414,402
OPEB:	
State Teachers Retirement System	77,548
School Employees Retirement System	163,255
Unamortized Deferred Amount on Refunding	225,558
<i>Total Deferred Outflows of Resources</i>	2,978,870
LIABILITIES:	
Current Liabilities:	
Accounts Payable	57,604
Accrued Wages and Benefits Payable	1,054,335
Intergovernmental Payable	158,402
Accrued Interest Payable	11,323
Non-Current Liabilities:	
Due Within One Year	446,703
Due in More Than One Year	
Net Pension Liability (See Note 8)	11,101,323
Net OPEB Liability (See Note 9)	680,493
Other Amounts Due in More Than One Year	4,634,469
<i>Total Liabilities</i>	18,144,652
DEFERRED INFLOWS OF RESOURCES:	
Pensions:	
State Teachers Retirement System	1,162,987
School Employees Retirement System	271,550
OPEB:	
State Teachers Retirement System	886,155
School Employees Retirement System	857,732
Property Taxes not Levied to Finance Current Year Operations	4,707,634
<i>Total Deferred Inflows of Resources</i>	7,886,058
NET POSITION:	
Net Investment in Capital Assets	30,273,119
Restricted for Debt Service	1,484,811
Restricted for Capital Outlay	406,618
Restricted for Other Purposes	1,029,367
Unrestricted (Deficit)	(5,133,782)
<i>Total Net Position</i>	\$ 28,060,133

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, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$ 7,555,098	\$ 187,434	\$ 750,262	\$ (6,617,402)
Special	2,946,368	134,834	1,197,915	(1,613,619)
Vocational	98,065	2,173	21,669	(74,223)
Student Intervention Services	7,000	105	-	(6,895)
Other	322,391	5,160	-	(317,231)
Support Services:				
Pupils	809,569	19,132	50,219	(740,218)
Instructional Staff	129,600	2,926	7,571	(119,103)
Board of Education	41,985	671	-	(41,314)
Administration	1,163,024	18,585	-	(1,144,439)
Fiscal	563,815	8,736	2,524	(552,555)
Business	1,537	21	-	(1,516)
Operation and Maintenance of Plant	1,376,533	37,315	175,867	(1,163,351)
Pupil Transportation	1,046,734	14,956	-	(1,031,778)
Central	163,368	2,809	1,514	(159,045)
Operation of Non-Instructional Services	627,759	93,189	675,565	140,995
Extracurricular Activities	292,600	27,552	185,736	(79,312)
Interest and Fiscal Charges	128,289	-	-	(128,289)
Total Governmental Activities	\$ 17,273,735	\$ 555,598	\$ 3,068,842	(13,649,295)
General Revenues:				
Property Taxes Levied for:				
General Purposes				4,764,873
Building Maintenance				67,404
Debt Service				542,841
Permanent Improvement				544,524
Grants and Entitlements not Restricted to Specific Programs				8,251,009
Gifts and Donations not Restricted to Specific Programs				17,675
Investment Earnings				209,565
Gain on Sale of Capital Assets				7,801
Miscellaneous				98,734
Total General Revenues				14,504,426
Change in Net Position				855,131
Net Position Beginning of Year (as Restated)				27,205,002
Net Position End of Year				\$ 28,060,133

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, 2023

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Investments	\$ 6,477,563	\$ 1,280,763	\$ 1,926,851	\$ 9,685,177
Accrued Interest Receivable	9,971	-	250	10,221
Accounts Receivable	7,965	-	-	7,965
Intergovernmental Receivable	49,300	-	118,667	167,967
Prepaid Items	11,940	-	-	11,940
Taxes Receivable	5,514,930	623,605	706,263	6,844,798
<i>Total Assets</i>	<u>\$ 12,071,669</u>	<u>\$ 1,904,368</u>	<u>\$ 2,752,031</u>	<u>\$ 16,728,068</u>
LIABILITIES:				
Accounts Payable	\$ 49,607	\$ -	\$ 7,997	\$ 57,604
Accrued Wages and Benefits Payable	896,347	-	157,988	1,054,335
Intergovernmental Payable	158,402	-	-	158,402
<i>Total Liabilities</i>	<u>1,104,356</u>	<u>-</u>	<u>165,985</u>	<u>1,270,341</u>
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	3,805,125	419,557	482,952	4,707,634
Unavailable Revenue - Delinquent Taxes	414,771	49,503	54,149	518,423
Unavailable Revenue - Grants	-	-	29,517	29,517
<i>Total Deferred Inflows of Resources</i>	<u>4,219,896</u>	<u>469,060</u>	<u>566,618</u>	<u>5,255,574</u>
FUND BALANCES:				
Nonspendable	11,940	-	-	11,940
Restricted	-	1,435,308	2,048,948	3,484,256
Committed	548,214	-	-	548,214
Assigned	1,376,925	-	-	1,376,925
Unassigned (Deficit)	4,810,338	-	(29,520)	4,780,818
<i>Total Fund Balances</i>	<u>6,747,417</u>	<u>1,435,308</u>	<u>2,019,428</u>	<u>10,202,153</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 12,071,669</u>	<u>\$ 1,904,368</u>	<u>\$ 2,752,031</u>	<u>\$ 16,728,068</u>

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, 2023*

Total Governmental Fund Balances		\$ 10,202,153
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		33,389,509
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	518,423	
Intergovernmental	29,517	
Total	547,940	547,940
The net pension and net OPEB liabilities/(asset) 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	2,512,509	
Deferred outflows of resources related to OPEB	240,803	
Deferred inflows of resources related to pensions	(1,434,537)	
Deferred inflows of resources related to OPEB	(1,743,887)	
Net Pension Liability	(11,101,323)	
Net OPEB Asset	994,396	
Net OPEB Liability	(680,493)	(11,212,532)
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	(642,340)	
Bonds Payable	(3,420,000)	
Unamortized Bond Premium	(340,895)	
Financed Purchase Payable	(677,937)	
Unamortized Deferred Amount on Refunding	225,558	
Accrued Interest Payable	(11,323)	
Total	(4,866,937)	(4,866,937)
Net Position of Governmental Activities		\$ 28,060,133

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, 2023

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	\$ 4,741,300	\$ 540,067	\$ 608,870	\$ 5,890,237
Intergovernmental	8,603,420	71,482	2,640,219	11,315,121
Interest	128,183	-	950	129,133
Change in Fair Value of Investments	81,747	-	(1,315)	80,432
Tuition and Fees	209,601	-	-	209,601
Extracurricular Activities	-	-	151,631	151,631
Gifts and Donations	17,675	-	43,631	61,306
Customer Sales and Services	-	-	194,206	194,206
Miscellaneous	98,213	-	681	98,894
<i>Total Revenues</i>	<u>13,880,139</u>	<u>611,549</u>	<u>3,638,873</u>	<u>18,130,561</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,260,053	-	1,139,910	6,399,963
Special	2,378,461	-	624,436	3,002,897
Vocational	91,047	-	4,657	95,704
Student Intervention Services	7,000	-	-	7,000
Other	322,391	-	-	322,391
Support Services:				
Pupils	765,870	-	43,857	809,727
Instructional Staff	118,184	-	10,345	128,529
Board of Education	43,399	-	-	43,399
Administration	1,192,035	-	-	1,192,035
Fiscal	526,382	16,857	21,332	564,571
Business	1,537	-	-	1,537
Operation and Maintenance of Plant	1,240,783	-	156,883	1,397,666
Pupil Transportation	990,473	-	-	990,473
Central	161,720	-	1,277	162,997
Operation of Non-Instructional Services	70,370	-	590,582	660,952
Extracurricular Activities	153,978	-	161,961	315,939
Capital Outlay	-	-	703,589	703,589
Debt Service:				
Principal	-	325,000	103,254	428,254
Interest	-	122,500	18,682	141,182
<i>Total Expenditures</i>	<u>13,323,683</u>	<u>464,357</u>	<u>3,580,765</u>	<u>17,368,805</u>
Excess of Revenues Over (Under) Expenditures	556,456	147,192	58,108	761,756
<i>Other Financing Sources:</i>				
Proceeds from Sale of Capital Assets	7,801	-	-	7,801
<i>Total Other Financing Sources</i>	<u>7,801</u>	<u>-</u>	<u>-</u>	<u>7,801</u>
<i>Net Change in Fund Balances</i>	564,257	147,192	58,108	769,557
<i>Fund Balances at Beginning of Year</i>	<u>6,183,160</u>	<u>1,288,116</u>	<u>1,961,320</u>	<u>9,432,596</u>
<i>Fund Balances at End of Year</i>	<u>\$ 6,747,417</u>	<u>\$ 1,435,308</u>	<u>\$ 2,019,428</u>	<u>\$ 10,202,153</u>

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, 2023*

Net Change in Fund Balances - Total Governmental Funds \$ 769,557

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	703,589	
Current Year Depreciation	(1,172,116)	
Total	(468,527)	(468,527)

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.

Loss on Disposal of Capital Assets	(87,197)	
Total	(87,197)	(87,197)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	29,405	
Intergovernmental	(38,901)	
Total	(9,496)	(9,496)

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	
Amortization of deferred amount on refunding	(23,743)	
Total	12,140	12,140

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 principal payments	325,000	
Financed purchase principal payments	103,254	
Total	428,254	428,254

Contractually required net pension and OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.

961,377

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.

(981,905)

Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability (asset) are reported as OPEB gain (expense) in the statement of activities.

295,422

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:

(Increase) in compensated absences payable	(65,247)	
Decrease in accrued interest payable	753	
Total	(64,494)	(64,494)

Net Change in Net Position of Governmental Activities \$ 855,131

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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Revenues and Other Financing Sources	\$ 13,393,179	\$ 14,178,022	\$ 14,178,022	\$ -
Total Expenditures	<u>14,532,885</u>	<u>13,221,659</u>	<u>13,221,659</u>	<u>-</u>
Net Change in Fund Balance	(1,139,706)	956,363	956,363	-
Fund Balance at Beginning of Year	4,879,887	4,879,887	4,879,887	-
Prior Year Encumbrances Appropriated	<u>57,440</u>	<u>57,440</u>	<u>57,440</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 3,797,621</u>	<u>\$ 5,893,690</u>	<u>\$ 5,893,690</u>	<u>\$ -</u>

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

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Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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 52 non-certified and 79 certified employees providing education to 1,112 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 three organizations, one is defined as a jointly governed organization and two as insurance purchasing pools of which one is also a public entity shared risk pool. These organizations are the Metropolitan Educational Technology Association (META), the Ohio SchoolComp Workers’ Compensation Group Rating Plan, 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.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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 one category which is governmental.

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.

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.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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.

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.

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 the modified accrual basis of accounting for governmental. 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 resources 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 (assets), and the recording of net pension liabilities and net OPEB liabilities (assets).

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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, 2023 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.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. 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 2023.

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 Investments

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 2023, the School District's investments were limited to funds invested in Federal Home Loan Mortgage Corporation Bonds, money market mutual funds and negotiable certificates of deposit. All investments are reported at fair value which is based on quoted market prices.

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 2023 amounted to \$128,183 and \$950, 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.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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 \$5,000. 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 and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. 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 and OPEB 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 first 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 \$2,920,796 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. The School District had no interfund balances at June 30, 2023.

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.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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 (asset), 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, 2023, 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

	<u>General</u>
GAAP Basis	\$564,257
Adjustments:	
Revenue Accruals	521,694
Expenditure Accruals	175,233
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(103,380)
Encumbrances	<u>(201,441)</u>
Budget Basis	<u>\$956,363</u>

Eastern Local School District, Brown County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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

Interim monies 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 including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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. Except as noted above, 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.

Eastern Local School District, Brown County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

Deposits: Custodial credit risk 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, \$7,501,993 of the School District’s bank balance of \$7,751,993 was exposed to custodial credit risk but covered by the Ohio Pooled Collateral System, as discussed below. 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, 2023, the School District had the following investments and maturities:

<u>Description:</u>	<u>Level</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1</u>	<u>1 - 2</u>
Negotiable Certificates of Deposit	2	\$ 1,704,595	\$ 1,232,512	\$ 472,083
Money Market Mutual Funds	1	143,815	143,815	-
Federal Home Loan Mortgage Corporation Bonds	2	297,509	297,509	-
Total Investments		\$ 2,145,919	\$ 1,673,836	\$ 472,083

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, 2023.

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 its 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 Negotiable Certificates of Deposits, Money Market Mutual Funds, and Federal Home Loan Mortgage Corporation Bonds. Investments in Federal Home Loan Mortgage Corporation Bonds were rated AA+ by Standard & Poor’s and Aaa by Moody’s. The Negotiable certificates of deposit are insured by FDIC and are not rated. The Money Market Mutual Funds are rated AAAM by Standard & Poor’s and Aaa-mf by Moody’s. The School District’s investment policy does not address credit risk beyond allowing investments as authorized in the Ohio Revised Code.

Eastern Local School District, Brown County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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 79% in Certificates of Deposits, 7% in Money Market Mutual Funds, and 14% in Federal Home Loan Mortgage Corporation Bonds.

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 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, 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 2023 represents collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien on December 31, 2021, were levied after April 1, 2022, and are collected in 2023 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 2023 taxes were collected are:

	<u>2022 Second- Half Collections</u>		<u>2023 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 233,880,380	90.15%	\$ 240,597,950	90.25%
Public Utility	25,559,950	9.85%	25,992,700	9.75%
Total Assessed Value	<u>\$ 259,440,330</u>	<u>100.00%</u>	<u>\$ 266,590,650</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 37.20		 \$ 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, 2023 are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Eastern Local School District, Brown County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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, 2023 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, 2023, was \$1,295,034 in the General Fund, \$154,545 in the Debt Service Fund, and \$169,162 in all other governmental funds.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2023, consisted of property taxes, accounts, interest, 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, 2023:

	<u>Amounts</u>
Major Fund:	
General	\$ 49,300
Total Major Fund	<u>49,300</u>
Non-Major Funds:	
ESSER	41,132
Miscellaneous State Grants	
Special Education, IDEA Part B	38,638
Title I	<u>38,897</u>
Total Non-Major Funds	<u>118,667</u>
Total Intergovernmental Receivables	<u>\$ 167,967</u>

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 2023, 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 \$66,289,050. 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 2023, the School District participated in Ohio SchoolComp Workers’ Compensation 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.

Eastern Local School District, Brown County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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 eight districts and one educational service center. 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

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Eastern Local School District, Brown County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 2021. In 2022, the Board of Trustees approved a 0.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2023.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, 14.0% was designated to pension, death benefits, and Medicare B. There was no amount allocated to the Health Care Fund for fiscal year 2023.

The District’s contractually required contribution to SERS was \$257,255 for fiscal year 2023. Of this amount \$17,536 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee 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.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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 Aug. 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until Aug. 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit at any age. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% 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 has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 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. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2023 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$670,104 for fiscal year 2023. Of this amount \$122,536 is reported as an intergovernmental payable.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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, 2023 was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.0474074%	0.038403570%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0491549%</u>	<u>0.038271437%</u>	
Change in Proportionate Share	<u>-0.0017475%</u>	<u>0.000132133%</u>	
Proportion of the Net Pension Liability	\$2,564,161	\$8,537,162	\$11,101,323
Pension Expense (Gain)	\$131,640	\$850,265	\$981,905

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$103,851	\$109,287	\$213,138
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	27,995	-	27,995
Changes of assumptions	25,301	1,021,642	1,046,943
Differences between projected and actual investment earnings	-	297,074	297,074
School District contributions subsequent to the measurement date	<u>257,255</u>	<u>670,104</u>	<u>927,359</u>
Total	<u>\$414,402</u>	<u>\$2,098,107</u>	<u>\$2,512,509</u>

Deferred Inflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$16,833	\$32,657	\$49,490
Differences between projected and actual investment earnings	89,478	-	89,478
Changes of assumptions	-	769,003	769,003
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>165,239</u>	<u>361,327</u>	<u>526,566</u>
Total	<u>\$271,550</u>	<u>\$1,162,987</u>	<u>\$1,434,537</u>

\$927,359 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, 2024.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	(\$40,110)	(\$174,680)	(\$214,790)
2025	(62,795)	(135,693)	(198,488)
2026	(146,642)	(290,417)	(437,059)
2027	135,144	865,806	1,000,950
Total	<u>(\$114,403)</u>	<u>\$265,016</u>	<u>\$150,613</u>

Actuarial Assumptions - SERS

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

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, 2022, compared with June 30, 2021, are presented below:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Inflation	2.4 percent	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of system expenses	7.00 percent net of system expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – SERS (Continued)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Discount Rate The total pension liability for 2022 was calculated using the discount rate of 7.00 percent. The discount rate for 2021 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – SERS (continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$3,774,322	\$2,564,161	\$1,544,616

Assumptions and Benefit Changes Since the Prior Measurement Date – There were no changes in assumptions or benefits since the prior measurement date.

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2022, actuarial valuation compared to those used in the June 30, 2021, actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.50 %	2.50 %
Projected Salary Increases	Varies by service from 2.5 % to 8.50 %	12.50 % at age 20 to 2.50% at age 65
Payroll increases	3.00 %	3.00 %
COLA or Ad Hoc COLA	0.00 %	0.00 %
Discount rate of return	7.00 %	7.00 %
Investment Rate of Return	7.00 percent net of investment expenses, including inflation	7.00 percent net of investment expenses, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the June 30, 2021 actuarial valuations, 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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.

Changes Between the Measurement Date and the Reporting date STRS approved a one-time 1.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

Eastern Local School District, Brown County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – STRS (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return**</u>
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80 %
Alternatives	19.00	7.38 %
Fixed Income	22.00	1.75 %
Real Estate	10.00	5.75 %
Liquidity Reserves	1.00	1.00 %
Total	100.00 %	

* Target allocation percentage is effective as of July 1, 2022.

Target weights were phased in over a 3-month period concluding on October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of 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.

Discount Rate The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$12,896,544	\$8,537,162	\$4,850,475

Changes Between the Measurement Date and the Reporting date STRS approved a one-time 1.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

Eastern Local School District, Brown County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – STRS (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2023, none of the District's members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 9 – POSTEMPLOYMENT BENEFITS

See Note 8 for a description of the net OPEB liability (asset).

School Employees Retirement System

Health Care Plan Description - The 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. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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 Annual Comprehensive 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 2023, no allocation 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 2023, this amount was \$25,000. 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 2023, the District's surcharge obligation was \$34,018.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. No portion of covered payroll was allocated to the Health Care Fund in 2023. The District's contractually required contribution to SERS was \$34,018 for fiscal year 2023. Of this amount, \$34,018 is reported as an intergovernmental payable.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

State Teachers Retirement System of Ohio

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. All health care plan enrollees 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, 2023, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB (asset) liability was measured as of June 30, 2022, and the total OPEB (asset) liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB (asset) liability was based on the 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 (gain):

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB (Asset) Liability - Current Year	0.0484678%	0.038403570%	
Proportionate Share of the Net OPEB (Asset) Liability - Prior Year	<u>0.0508017%</u>	<u>0.038271437%</u>	
Change in Proportionate Share	<u>-0.0023339%</u>	<u>0.000132133%</u>	
Proportion of the Net OPEB Liability	\$680,493	\$0	\$680,493
Proportion of the Net OPEB (Asset)	\$0	(\$994,396)	(\$994,396)
OPEB Expense (Gain)	(\$109,009)	(\$186,413)	(\$295,422)

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

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

At June 30, 2023, 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	\$5,721	\$14,415	\$20,136
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	17,459	3,465	20,924
Changes of assumptions	108,241	42,358	150,599
Differences between projected and actual investment earnings	3,537	17,310	20,847
School District contributions subsequent to the measurement date	34,018	-	34,018
Total	\$168,976	\$77,548	\$246,524
Deferred Inflows of Resources	SERS	STRS	Total
Differences between expected and actual economic experience	\$435,292	\$149,340	\$584,632
Differences between projected and actual investment earnings	-	0	0
Changes of assumptions	279,348	705,123	984,471
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	143,092	31,692	174,784
Total	\$857,732	\$886,155	\$1,743,887

\$34,018 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 (adjustment to net OPEB asset) in the year ending June 30, 2024. 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:			
2024	(\$180,207)	(\$236,620)	(\$416,827)
2025	(169,782)	(236,617)	(406,399)
2026	(135,151)	(114,604)	(249,755)
2027	(84,531)	(44,800)	(129,331)
2028	(59,863)	(58,237)	(118,100)
Thereafter	(93,240)	(117,729)	(210,969)
Total	(\$722,774)	(\$808,607)	(\$1,531,381)

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

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions – SERS (Continued)

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 OPEB liability in the latest actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.4 percent	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of system expenses	7.00 percent net of system expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)
Municipal Bond Index Rate:	3.69 %	1.92 %
Single Equivalent Interest Rate, Net of Plan Investment Expense, Including		
Price Inflation	4.08 %	2.27 %
Medical Trend Assumption	7.00 to 4.40 %	
Medicare	5.125 to 4.400 %	5.125 to 4.400 %
Pre-Medicare	6.750 to 4.400 %	6.750 to 4.400 %

For 2022 and 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

The most recent experience study was completed for the five year period ended June 30, 2020.

Eastern Local School District, Brown County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions – SERS (Continued)

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 2016 through 2020, and was adopted by the Board in 2021. 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, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	-0.45%
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	<u>3.00</u>	5.38
 Total	 <u><u>100.00</u></u> %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27 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 contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

Sensitivity of the 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 (3.08%) and higher (5.08%) than the current discount rate (4.08%).

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions – SERS (Continued)

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
School District's proportionate share of the net OPEB liability	\$845,183	\$680,493	\$547,544

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate (7.00% decreasing to 4.40%).

Actuarial Assumptions - STRS

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
District's proportionate share of the net OPEB liability	\$524,782	\$680,493	\$883,876

Key methods and assumptions used in the June 30, 2022, actuarial valuation and the June 30, 2021 actuarial valuation are presented below:

	June 30, 2022		June 30, 2021	
Inflation	2.50 %		2.50 %	
Projected Salary Increases	Varies by service from 2.5 % to 8.50 %		12.50 % at age 20 to 2.50% at age 65	
Payroll increases	3.00 %		3.00 %	
Cost-of-living adjustments (COLA)	0.00 %		0.00 %	
Discount rate of return	7.00 %		7.00 %	
Investment Rate of Return	7.00 percent net of investment expenses, including inflation		7.00 percent net of investment expenses, including inflation	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.50%	3.94%	5.00%	4.00%
Medicare	-68.78%	3.94%	-16.18%	4.00%
Prescription Drug				
Pre-Medicare	9.00%	3.94%	6.50%	4.00%
Medicare	-5.47%	3.94%	29.98%	4.00%

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the June 30, 2021 actuarial valuations, 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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.

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

Eastern Local School District, Brown County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions – STRS (Continued)

Investment Return Assumptions —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:

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return**</u>
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80 %
Alternatives	19.00	7.38 %
Fixed Income	22.00	1.75 %
Real Estate	10.00	5.75 %
Liquidity Reserves	1.00	1.00 %
Total	100.00 %	

* Target allocation percentage is effective as of July 1, 2022.

Target weights were phased in over a 3-month period concluding on October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of 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.

Discount Rate — The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022 and was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed 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 projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

Sensitivity of the District's Proportionate Share of the Net OPEB (Asset) Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The following table represents the net OPEB liability (asset) as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net OEPB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB (asset) 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.

	<u>1% Decrease in Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase in Discount Rate (8.00%)</u>
District's proportionate share of the net OPEB (asset) liability	(\$919,293)	(\$994,396)	(\$1,058,728)
	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rate</u>	<u>1% Increase in Trend Rates</u>
District's proportionate share of the net OPEB (asset) liability	(\$1,031,431)	(\$994,396)	(\$947,649)

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

Benefit Term Changes Since the Prior Measurement Date - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

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.

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 through the Brown County Schools Benefit Consortium. 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.”

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 11 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2023, was as follows:

	Balance 6/30/2022*	Additions	Deletions	Balance 6/30/2023
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 268,763	\$ -	\$ -	\$ 268,763
Construction in Progress	-	284,000	-	284,000
Total Capital Assets, Not Being Depreciated	268,763	284,000	-	552,763
Capital Assets Being Depreciated				
Land Improvements	349,471	19,031	-	368,502
Buildings and Improvements	45,540,871	172,000	(121,105)	45,591,766
Furniture and Equipment	3,053,125	56,398	-	3,109,523
Vehicles	1,343,379	172,160	-	1,515,539
Total Capital Assets Being Depreciated	50,286,846	419,589	(121,105)	50,585,330
Less: Accumulated Depreciation:				
Land Improvements	(322,479)	(9,121)	-	(331,600)
Buildings and Improvements	(13,130,419)	(856,874)	33,908	(13,953,385)
Furniture and Equipment	(2,291,629)	(193,293)	-	(2,484,922)
Vehicles	(865,849)	(112,828)	-	(978,677)
Total Accumulated Depreciation	(16,610,376)	(1,172,116)	33,908	(17,748,584)
Total Capital Assets Being Depreciated, Net	33,676,470	(752,527)	(87,197)	32,836,746
Governmental Capital Assets, Net	\$ 33,945,233	\$ (468,527)	\$ (87,197)	\$ 33,389,509

*As Restated Per Note 22

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,036,372
Vocational	2,456
Support Services:	
Instructional Staff	4,887
Administration	301
Fiscal	271
Operation and Maintenance of Plant	15,188
Pupil Transportation	111,708
Operation of Non-Instructional Services	933
Total Depreciation Expense	\$1,172,116

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2023 were as follows:

	Principal Outstanding 6/30/2022	Additions	Deductions	Principal Outstanding 6/30/2023	Due Within One Year
Classroom Facilities General					
Obligation Bonds 2014 1% - 4.00%	\$ 3,745,000	\$ -	\$ (325,000)	\$ 3,420,000	\$ 335,000
Premium	376,778		(35,883)	340,895	-
Total Long-Term Bonds	<u>4,121,778</u>	<u>-</u>	<u>(360,883)</u>	<u>3,760,895</u>	<u>335,000</u>
Net Pension Liability:					
STRS	4,893,347	3,643,815	-	8,537,162	-
SERS	1,813,673	750,488	-	2,564,161	-
Total Net Pension Liability	<u>6,707,020</u>	<u>4,394,303</u>	<u>-</u>	<u>11,101,323</u>	<u>-</u>
Net OPEB Liability:					
STRS	-	-	-	-	*
SERS	961,464	-	(280,971)	680,493	-
Total Net OPEB Liability	<u>961,464</u>	<u>-</u>	<u>(280,971)</u>	<u>680,493</u>	<u>-</u>
Compensated Absences	577,093	829,585	(764,338)	642,340	5,785
Financed Purchase	781,191	-	(103,254)	677,937	105,918
Total General Long-Term Obligations	<u>\$ 13,148,546</u>	<u>\$ 5,223,888</u>	<u>\$ (1,509,446)</u>	<u>\$ 16,862,988</u>	<u>\$ 446,703</u>

* - OPEB for STRS has a Net OPEB asset in the amount of \$994,396 as of June 30, 2023.

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 Bond Retirement 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 2023 was \$23,743. \$5,120,000 of the 2014 bonds are considered current interest bonds (serial bonds) which are being redeemed over a period through December 1, 2031. The capital appreciation bonds were retired in prior years.

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.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

The School District’s overall legal debt margin was \$20,573,159 with an unvoted debt margin of \$266,591 at June 30, 2023. Principal and interest requirements to retire general obligation debt at June 30, 2023 are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds 2014		
	Principal	Interest	Total
2024	\$ 335,000	\$ 115,063	\$ 450,063
2025	350,000	105,624	455,624
2026	350,000	95,126	445,126
2027	365,000	84,400	449,400
2028	375,000	72,362	447,362
2029-2032	1,645,000	134,900	1,779,900
Totals	\$ 3,420,000	\$ 607,475	\$ 4,027,475

Financed Purchase Obligation

During fiscal year 2019, the School District entered into a lease purchase obligation in the amount of \$1,030,802 at a 2.58% interest rate to finance various energy conservation improvements at the School District. The lease-purchase runs through December 1, 2028 when the final payment will be made. The District capitalized \$1,079,340 related to these improvements as of June 30, 2020 which included monies from the District’s Permanent Improvement Fund. This lease meets the criteria of a financed purchase as defined by Accounting Principles Generally Accepted in the United States of America, which defines a financed purchase generally as one which transfers benefits and risks of ownership to the lessee and ultimately grants title of the asset to the lessee. Financed purchase payments of \$103,254 in principal were made during the current fiscal year. The lease obligation will be paid from the Permanent Improvement Fund. The School Districts future payments under financed purchase obligations for Governmental Activities as of June 30, 2023 are as follows:

Fiscal Year Ending June 30,	Financed Purchase Obligation		
	Principal	Interest	Total
2024	\$ 105,918	\$ 16,124	\$ 122,042
2025	108,651	13,356	122,007
2026	111,454	10,517	121,971
2027	114,330	7,605	121,935
2028	117,279	4,617	121,896
2029	120,305	1,552	121,857
Totals	\$ 677,937	\$ 53,771	\$ 731,708

Eastern Local School District, Brown County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

NOTE 13 - JOINTLY GOVERNED ORGANIZATION

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 \$92,964 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

NOTE 14 - INSURANCE PURCHASING POOL

Ohio SchoolComp Workers' Compensation Group Rating Plan

The District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by Compmangement. Each year, the participating members pay an enrollment fee to Compmangement to cover the costs of administering the program.

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 Career and Technical Center and Western Brown Schools) and two Highland County school districts (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.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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.

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2022	\$ -
Current Year Set-aside Requirement	268,849
Current Year Offsets	<u>(268,849)</u>
Set-aside Balance as of June 30, 2023	<u>\$ -</u>
Set-aside Reserve Balance as of June 30, 2023	<u>\$ -</u>

The School District had offsets during the year that reduced the set-aside amount below zero in the Capital Acquisition Reserve. 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, 2023.

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, 2023, if applicable, cannot be determined at this time.

Litigation

The School District is not party to legal proceedings.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 18 – 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				
Prepays	\$ 11,940	\$ -	\$ -	\$ 11,940
Restricted for				
Athletics	-	-	39,139	39,139
Food Service	-	-	470,609	470,609
Maintenance	-	-	107,439	107,439
Other Purposes	-	-	426,567	426,567
Capital Projects	-	-	1,005,194	1,005,194
Debt Services Payments	-	1,435,308	-	1,435,308
Total Restricted	<u>-</u>	<u>1,435,308</u>	<u>2,048,948</u>	<u>3,484,256</u>
Committed to				
Retirement Severance Benefits	<u>548,214</u>	<u>-</u>	<u>-</u>	<u>548,214</u>
Assigned to				
Encumbrances	54,957	-	-	54,957
FY2024 Appropriations	1,321,968	-	-	1,321,968
Total Assigned	<u>1,376,925</u>	<u>-</u>	<u>-</u>	<u>1,376,925</u>
Unassigned (Deficit)	<u>4,810,338</u>	<u>-</u>	<u>(29,520)</u>	<u>4,780,818</u>
Total Fund Balances	<u><u>\$ 6,747,417</u></u>	<u><u>\$ 1,435,308</u></u>	<u><u>\$ 2,019,428</u></u>	<u><u>\$ 10,202,153</u></u>

Eastern Local School District, Brown County

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023*

NOTE 19 – NEW ACCOUNTING PRINCIPLES

For fiscal year 2023, the School District has implemented GASB Statement No. 91, “*Conduit Debt Obligations*”, GASB Statement No. 94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*”, GASB Statement No. 96, “*Subscription Based Information Technology Arrangements*”, certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, “*Omnibus 2022*”.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the School District.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the School District.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset— and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the School District.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the School District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the School District.

NOTE 20 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency ended in April, 2023. During fiscal year 2023, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The impact on the School District’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 21 - ACCOUNTABILITY

At June 30, 2023, the Special Education Fund and Title 1 Fund had deficit fund balances in the amounts of \$14,862 and \$14,658, 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.

Eastern Local School District, Brown County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

NOTE 22 – ADJUSTMENT TO BEGINNING NET POSITION

The School District revised their capital asset policies resulting in changes in their beginning capital asset and accumulated depreciation balances which had the following effect on beginning net position:

Net position, July 1, 2022 -As previously stated	\$27,746,162
Adjustments:	
Adjustment of capital asset balances	(1,730,862)
Adjustment of accumulated depreciation	
Balances	<u>1,189,702</u>
Net position, July 1, 2022 – As restated	<u>\$27,205,002</u>

Required Supplementary Information

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 Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.0474074%	0.0491549%	0.0521761%	0.0502674%	0.0551603%	0.0587029%	0.0585071%	0.0591720%	0.0589720%	0.0589720%
School District's proportionate share of the net pension liability	\$ 2,564,161	\$ 1,813,673	\$ 3,451,037	\$ 3,007,587	\$ 3,159,133	\$ 3,507,369	\$ 4,282,180	\$ 3,376,412	\$ 2,984,539	\$ 3,506,876
School District's covered payroll	\$ 1,976,700	\$ 1,833,207	\$ 1,821,357	\$ 2,025,733	\$ 2,272,556	\$ 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 payroll	129.72%	98.93%	189.48%	148.47%	139.01%	182.17%	235.67%	189.54%	174.17%	171.40%
Plan fiduciary net position as a percentage of the total pension liability	75.82%	82.86%	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

See notes to accompanying required supplementary information.

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 Ten Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.038403570%	0.038271437%	0.03959062%	0.04074869%	0.04306188%	0.04368308%	0.04322932%	0.04383373%	0.04516632%	0.04516632%
School District's proportionate share of the net pension liability	\$ 8,537,162	\$ 4,893,347	\$ 9,579,521	\$ 9,011,328	\$ 9,468,341	\$ 10,377,009	\$ 14,470,156	\$ 12,114,361	\$ 10,986,012	\$ 13,086,466
School District's covered-employee payroll	\$ 5,358,857	\$ 4,616,143	\$ 4,737,086	\$ 5,205,171	\$ 4,997,743	\$ 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	159.31%	106.01%	202.22%	173.12%	189.45%	216.08%	318.13%	264.89%	238.06%	268.78%
Plan fiduciary net position as a percentage of the total pension liability	78.88%	87.78%	75.48%	77.40%	77.31%	75.29%	66.78%	72.09%	74.71%	69.30%
See notes to accompanying required supplementary information.										

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 257,255	\$ 276,738	\$ 256,649	\$ 254,990	\$ 273,474	\$ 306,795	\$ 269,543	\$ 254,382	\$ 234,780	\$ 237,507
Contributions in relation to the contractually required contribution	<u>(257,255)</u>	<u>(276,738)</u>	<u>(256,649)</u>	<u>(254,990)</u>	<u>(273,474)</u>	<u>(306,795)</u>	<u>(269,543)</u>	<u>(254,382)</u>	<u>(234,780)</u>	<u>(237,507)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 1,837,536	\$ 1,976,700	\$ 1,833,207	\$ 1,821,357	\$ 2,025,733	\$ 2,272,556	\$ 1,925,307	\$ 1,817,014	\$ 1,781,335	\$ 1,713,615
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%

See notes to accompanying required supplementary information.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 670,104	\$ 750,240	\$ 646,260	\$ 663,192	\$ 728,724	\$ 699,684	\$ 672,339	\$ 636,798	\$ 640,264	\$ 599,936
Contributions in relation to the contractually required contribution	<u>(670,104)</u>	<u>(750,240)</u>	<u>(646,260)</u>	<u>(663,192)</u>	<u>(728,724)</u>	<u>(699,684)</u>	<u>(672,339)</u>	<u>(636,798)</u>	<u>(640,264)</u>	<u>(599,936)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 4,786,457	\$ 5,358,857	\$ 4,616,143	\$ 4,737,086	\$ 5,205,171	\$ 4,997,743	\$ 4,802,421	\$ 4,548,557	\$ 4,573,314	\$ 4,614,892
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%

See notes to accompanying required supplementary information.

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 Seven Years (1)

	<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
School District's proportion of the net OPEB liability	0.0484678%		0.0508017%		0.0518053%		0.0506774%		0.0559927%		0.0594948%		0.0592265%
School District's proportionate share of the net OPEB liability	\$ 680,493	\$	961,464	\$	1,125,899	\$	1,274,430	\$	1,553,389	\$	1,596,684	\$	1,688,174
School District's covered payroll	\$ 1,770,936	\$	1,833,207	\$	1,821,357	\$	2,025,733	\$	2,272,556	\$	1,925,307	\$	1,817,014
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	38.43%		52.45%		61.82%		62.91%		68.35%		82.93%		92.91%
Plan fiduciary net position as a percentage of the total OPEB liability	30.34%		24.08%		18.17%		15.57%		13.57%		12.46%		11.49%

(1) Information prior to 2017 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See notes to accompanying required supplementary information.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability (asset)	0.038403570%	0.038271437%	0.03959062%	0.04074869%	0.04306188%	0.04368308%	0.04322932%
School District's proportionate share of the net OPEB liability (asset)	\$ (994,396)	\$ (806,922)	\$ (695,804)	\$ (674,896)	\$ (691,960)	\$ 1,704,353	\$ 2,311,915
School District's covered payroll	\$ 5,358,857	\$ 4,616,143	\$ 4,737,086	\$ 5,205,171	\$ 4,997,743	\$ 4,802,421	\$ 4,548,557
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-18.56%	-17.48%	-14.69%	-12.97%	-13.85%	35.49%	50.83%
Plan fiduciary net position as a percentage of the total OPEB liability	230.73%	174.73%	182.13%	174.74%	176.00%	47.11%	37.33%

(1) Information prior to 2017 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See notes to accompanying required supplementary information.

Eastern Local School District, Brown County
Required Supplementary Information
Schedule of School District OPEB Contributions
School Employees Retirement System of Ohio
Last Eight Years (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 34,018	\$ 31,618	\$ 33,174	\$ 22,224	\$ 37,134	\$ 38,897	\$ 32,079	\$ -
Contributions in relation to the contractually required contribution	<u>(34,018)</u>	<u>(31,618)</u>	<u>(33,174)</u>	<u>(22,224)</u>	<u>(37,134)</u>	<u>(38,897)</u>	<u>(32,079)</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 1,837,536	\$ 1,770,936	\$ 1,833,207	\$ 1,821,357	\$ 2,025,733	\$ 2,272,556	\$ 1,925,307	\$ 1,817,014
Contributions as a percentage of covered payroll	1.85%	1.79%	1.81%	1.22%	1.83%	1.71%	1.67%	0.00%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

Eastern Local School District, Brown County
Required Supplementary Information
Schedule of School District OPEB Contributions
State Teachers Retirement System of Ohio
Last Eight Years (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 4,786,457	\$ 5,358,857	\$ 4,616,143	\$ 4,737,086	\$ 5,205,171	\$ 4,997,743	\$ 4,802,421	\$ 4,548,557
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

Eastern Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

Pension

School Employees Retirement System (SERS)

Changes in benefit terms

2023: There were no changes in benefit terms from the amounts reported for this fiscal year.

2022: For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.

2020-2021: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three-year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2023: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

2022: The assumed rate of inflation was reduced from 3.00% to 2.40%, the assumed real wage growth was increased from 0.50% to 0.85%, the cost-of-living adjustments were reduced from 2.50% to 2.00%, the discount rate was reduced from 7.50% to 7.00%, the rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries and disabled members were updated.

2018-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to 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, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Eastern Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

Pension (continued)

State Teachers Retirement System (STRS)

Changes in benefit terms

2019-2023: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2023: The following change of assumptions affected the total pension liability since the prior measurement date:

- (1) The projected salary increases went from 12.50% at age 20 to 2.50% at age 65 to varies by service from 2.50% to 8.50%.

2022: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.45% to 7.00%,
- (2) The discount rate of return was reduced from 7.45% to 7.00%,

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

OPEB

School Employees Retirement System (SERS)

Changes in benefit terms

2017-2023: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2023 Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) The municipal bond index rate went from 1.92% to 3.69%
- (2) The single equivalent interest rate when from 2.27% to 4.08% medical trend assumptions went from 5.125% to 4.40% Medicare and 6.75% to 4.40% Pre-Medicare to 7.00% to 4.40%

Eastern Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

OPEB (continued)

School Employees Retirement System (SERS) (continued)

Changes in assumptions (continued)

2022 Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Wage inflation decreased from 3.00% to 2.40%
- (2) Future salary increases changed from 3.50%-18.20% to 3.25%-13.58%
- (3) Investment rate of return decreased from 7.50% to 7.00%
- (4) The discount rate decreased from 7.50% to 7.00%
- (5) Municipal Bond Index Rate:
 - Prior Measurement Date 2.45%
 - Measurement Date 1.92%
- (6) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 2.63%
 - Measurement Date 2.27%
- (7) Mortality tables changes from the RP=2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below median Health Retiree mortality table.

2021: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) The discount rate was changed from 3.22% to 2.63%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.13%
 - Measurement Date 2.45%

2020: The discount rate was changed from 3.70% to 3.22%

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) The discount rate was changed from 3.63% to 3.70%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.56%
 - Measurement Date 3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%

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

- (1) Discount Rate:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%
- (2) Municipal Bond Index Rate:
 - Fiscal Year 2018 3.56%
 - Fiscal Year 2017 2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%

Eastern Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

OPEB (continued)

School Employees Retirement System (SERS) (continued)

Changes in assumptions (continued)

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP- 2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to 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.

State Teachers Retirement System (STRS)

Changes in benefit terms

2023: There were no changes in benefit terms from the amounts reported for this fiscal year.

2022: There was no change to the claims costs process. The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

2021: There was no change to the claims costs process. Claim curves were updated to reflect the projected FYE 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

Eastern Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

OPEB (continued)

State Teachers Retirement System (STRS) (Continued)

Changes in benefit terms (continued)

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in assumptions

2023: The projected salary increase went from 12.50% at age 20 to 2.50% at age 65 to varies by services from 2.50% to 8.50%. The health care cost trend rates were changed to the following: Pre-Medicare from 5.00% initial - 4.00% ultimate to 7.50% initial - 3.94% ultimate; medical Medicare from -16.18% initial - 4.00% ultimate to -68.78% initial - 3.94% ultimate; prescription drug Pre-Medicare from 6.50% initial - 4.00% ultimate to 9.00% initial - 3.94% ultimate; Medicare from 29.98% initial - 4.00% ultimate to -5.47% initial - 3.94% ultimate.

2022: The long-term expected rate of return was reduced from 7.45% to 7.00%. The discount rate was reduced from 7.45% in the prior year to 7.00% in the current year. The health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.

2021: The health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.

2020: The health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

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

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

EASTERN LOCAL SCHOOL DISTRICT
BROWN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM/CLUSTER TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER/ ADDITIONAL AWARD IDENTIFICATION	CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Education and Workforce</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	2023	\$ 172,918
National School Lunch Program	10.555	2023	371,827
COVID-19 - National School Lunch Program	10.555	COVID-19, 2023	24,396
National School Lunch Program - Food Donation	10.555	2023	65,823
Total National School Lunch Program			462,046
Total Child Nutrition Cluster			634,964
COVID-19 - State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	COVID-19, 2023	628
Total U.S. Department of Agriculture			635,592
U.S. DEPARTMENT OF TREASURY			
<i>Passed Through the Ohio Office of Budget and Management</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	COVID-19, 2023	88,514
Total U.S. Department of Treasury			88,514
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education and Workforce</i>			
Title I Grants to Local Educational Agencies	84.010A	84.010A, 2023	268,090
Title I Grants to Local Educational Agencies	84.010A	84.010A, 2022	47,964
Title I Grants to Local Educational Agencies - Expanding Opportunities	84.010A	84.010A, 2022	9,223
Total Title I Grants to Local Educational Agencies			325,277
Special Education Cluster (IDEA):			
Special Education Grants to States (IDEA, Part B)	84.027A	84.027A, 2023	257,967
Special Education Grants to States (IDEA, Part B)	84.027A	84.027A, 2022	45,715
COVID-19 - Special Education Grants to States (IDEA, Part B) - Restoration - ARP	84.027A	COVID-19, 84.027A, 2023	43,856
Total Special Education Grants to States (IDEA, Part B)			347,538
COVID-19 - Special Education Preschool Grants (IDEA, Preschool) - ARP	84.173A	COVID-19, 84.173A, 2022	4,719
<i>Consortium Amount Passed/Transferred to the Brown County Educational Service Center</i>			
Special Education Preschool Grants (IDEA, Preschool)	84.173A	84.173A, 2023	7,061
Total Special Education Preschool Grants (IDEA, Preschool)			11,780
Total Special Education Cluster (IDEA)			359,318
Supporting Effective Instruction State Grants	84.367A	84.367A, 2023	45,000
Student Support and Academic Enrichment Program	84.424A	84.424A, 2023	22,143
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	COVID-19, 84.425D, 2022	48,660
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	COVID-19, 84.425D, 2023	686,915
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	COVID-19, 84.425U, 2022	82,916
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	COVID-19, 84.425U, 2023	129,895
Total Education Stabilization Fund			948,386
Total U.S. Department of Education			1,700,124
Total Federal Financial Assistance			\$ 2,424,230

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

**EASTERN LOCAL SCHOOL DISTRICT
BROWN COUNTY, OHIO**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 – BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Eastern Local School District under programs of the federal government for the fiscal year ended June 30, 2023 and is prepared in accordance with the cash basis of accounting. 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 Eastern Local School District, it is not intended to and does not present the financial position, or changes in net position of the Eastern Local School District. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

NOTE 2 - DE MINIMIS COST RATE

CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. Eastern Local School District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - CHILD NUTRITION CLUSTER

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

NOTE 4 - FOOD DONATION PROGRAM

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

NOTE 5 – PASS THROUGH FUNDS

The Eastern Local School District was awarded federal program allocations to be administered on their behalf by the Brown County Educational Service Center (ESC). For fiscal year 2023, the Eastern Local School District’s allocation were as follows:

Grant/Program Name	ALN	Passed/Transferred to	Award Amount
Special Education_Preschool Grants	84.173A	Brown County ESC	\$ 7,061

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

Eastern Local School District
Brown County
11479 U.S. Highway 62
Winchester, OH 45697

To the Members of the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Brown County, Ohio, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Eastern Local School District’s basic financial statements, and have issued our report thereon dated August 28, 2024, wherein we noted as described in Note 22 to the financial statements, the Eastern Local School District revised their capital asset policies resulting in changes in the capital asset and accumulated depreciation balances.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Eastern Local School District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Eastern Local School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Eastern Local School District’s internal control.

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

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

Eastern Local School District
Brown County

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eastern Local School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Julian & Grube, Inc.
August 28, 2024

**Independent Auditor’s Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Eastern Local School District
Brown County
11479 U.S. Highway 62
Winchester, OH 45697

To the Members of the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Eastern Local School District’s compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Eastern Local School District’s major federal programs for the fiscal year ended June 30, 2023. The Eastern Local School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings.

In our opinion, the Eastern Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the “Auditor’s Responsibilities for the Audit of Compliance” section of our report.

We are required to be independent of the Eastern Local School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Eastern Local School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Eastern Local School District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Eastern Local School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Eastern Local School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Eastern Local School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Eastern Local School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Eastern Local School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Eastern Local School District
Brown County
Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Julian & Grube, Inc.

Julian & Grube, Inc.
August 28, 2024

**EASTERN LOCAL SCHOOL DISTRICT
BROWN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2023**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	None reported
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material weaknesses in internal control reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	None reported
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	COVID-19 – Education Stabilization Fund (ALN 84.425)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



EASTERN LOCAL SCHOOL DISTRICT

BROWN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/17/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov