



Dave Yost • Auditor of State

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

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MEIGS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Meigs County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2016

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EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015
(Unaudited)

The discussion and analysis of the Eastern Local School District's (District's) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

The assets and deferred outflows of resources of the District were less than its liabilities and deferred inflows of resources at June 30, 2015 by \$1,372,386. Of this amount, \$7,823,647 represents the amount invested in capital assets, net of related debt, and net position amounts restricted for specific purposes. The remaining (\$9,196,033) represents unrestricted net position.

In total, net position of governmental activities increased by \$323,222, which represents a 19 percent increase from 2014.

General revenues accounted for \$7,356,510 or 78.98 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,957,772 or 21.02 percent of total revenues of \$9,314,282.

The District had \$8,991,060 in expenses related to governmental activities; only \$1,957,772 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$7,356,510 were used to provide for the remainder of these programs.

The District recognizes two major governmental funds: the General and the Bond Retirement Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other governmental funds of the District combined. The General Fund had \$7,817,195 in revenues and other financing sources and \$7,863,169 in expenditures in fiscal year 2015.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Bond Retirement Fund.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of three categories: governmental, proprietary and fiduciary funds.

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. 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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Fund

The District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the District reports it as a proprietary fund using the full accrual basis of accounting.

Fiduciary Fund

The District's only fiduciary fund is an agency fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Government-Wide Financial Analysis

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 2015 compared to 2014.

Table 1
Net Position
Governmental Activities

	2015	2014
Assets		
Current and Other Assets	\$4,801,366	\$4,579,938
Capital Assets, Net	6,854,502	7,085,586
Total Assets	<u>11,655,868</u>	<u>11,665,524</u>
Deferred Outflows of Resources		
Deferred Charge on Refunding	28,853	33,216
Pension	685,327	565,713
Total Deferred Outflows of Resources	<u>714,180</u>	<u>598,929</u>
Liabilities		
Current and Other Liabilities	1,141,341	1,105,362
Long-Term Liabilities :		
Due Within One Year	152,677	130,678
Due Within More Than One Year:		
Net Pension Liability	9,461,396	11,240,430
Other Amounts	715,626	888,534
Total Liabilities	<u>11,471,040</u>	<u>13,365,004</u>
Deferred Inflows of Resources		
Property Taxes	562,981	595,057
Pension	1,708,413	0
Total Deferred Inflows of Resources	<u>2,271,394</u>	<u>595,057</u>
Net Position		
Net Investment in Capital Assets	6,435,603	6,424,168
Restricted	1,388,044	1,374,033
Unrestricted	(9,196,033)	(9,493,809)
Total Net Position	<u>(\$1,372,386)</u>	<u>(\$1,695,608)</u>

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. 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 Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$8,979,109 to (\$1,695,608).

Current and other assets increased \$221,428 from fiscal year 2014 due to an increase in cash and cash equivalents held by the District. Capital assets decreased by \$231,084 or 3.26 percent due to current year depreciation expense.

Current (other) liabilities increased by \$35,979 or 3.25 percent.

Long-term liabilities decreased by \$1,929,943 due to the decrease in net pension liability.

The District's largest portion of net position is related to amounts invested in capital assets \$6,435,603, net of related debt. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The next largest portion of net position of \$1,388,044 is restricted net position. The restricted net position is subjected to external restrictions on how they may be used.

The District's unrestricted balance is (\$9,196,033). This net position represents resources that may be used to meet the District's ongoing obligations to its students and creditors.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Table 2
Change in Net position
Governmental Activities

	2015	2014
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$892,217	\$852,353
Operating Grants and Contributions	1,065,555	930,298
General Revenues:		
Property Taxes	1,767,086	1,536,645
Unrestricted Grants and Entitlements	5,458,954	5,648,957
Gifts and Donations	30,617	82,863
Investment Earnings	5,955	6,736
Miscellaneous	93,898	51,093
Proceeds from Sale of Capital Assets	—	10,623
Total Revenues	9,314,282	9,119,568
Expenses:		
Program Expenses		
Instruction:		
Regular	4,093,962	4,287,504
Special	904,264	874,443
Vocational	0	9,008
Student Intervention Services	198	10,717
Other	47	0
Support Services:		
Pupils	687,099	685,708
Instructional Staff	177,788	236,216
Board of Education	24,431	19,153
Administration	565,510	633,347
Fiscal	271,807	269,155
Operation and Maintenance of Plant	891,307	834,061
Pupil Transportation	636,274	636,782
Central	78,883	75,076
Operational of Non-Instructional Services	369,669	369,597
Extracurricular Activities	258,669	277,568
Interest and Fiscal Charges	31,602	34,952
Total Expenses	8,991,060	9,253,287
Change in Net position	323,222	(133,719)
Net position – Beginning of Year	(1,695,608)	N/A
Net position – End of Year	(\$1,372,386)	(\$1,695,608)

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$629,815 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$406,070. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$8,991,060
Pension expense under GASB 68	(406,070)
2015 contractually required contribution	596,305
Adjusted 2015 program expenses	9,181,295
Total 2014 program expenses under GASB 27	9,253,287
Decrease in program expenses not related to pension	(\$71,992)

The most significant program expenses for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant and Pupils. These programs account for 73.15 percent of the total governmental activities. Regular Instruction, which accounts for 45.52 percent of the total, represents costs associated with providing general educational services. Special Instruction, 10.03 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant, which represents 9.93 percent of the total, represent costs associated with operating and maintaining the District's facilities. Pupils, which represents 7.64 percent of the total, represents costs associated with providing support services for students.

The majority of the funding for the most significant programs indicated above is from operating grants and contributions and grants and entitlements not restricted for specific programs. Operating grants and contributions and grants and entitlements not restricted for specific programs account for 70.05 percent of total revenues.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 18.97 percent and intergovernmental revenue made up 70.05 percent of the total revenue for the governmental activities in fiscal year 2015.

The District voters approved a bond retirement tax levy for 3.0 mills. It was passed in November 1996 as part of a \$1,455,000 bond issue for facility improvements. This levy generates approximately \$160,000 dollars in revenue for debt service payments.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2015, the District received \$5,382,547 through the State's foundation program, which represents 57.8 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 55.55 percent of governmental activities program expenses. Support services expenses make up 37.10 and charges for services and grants offsetting those services.

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2015 compared with fiscal year 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program Expenses:				
Instruction:	\$4,998,471	\$3,761,718	\$5,181,672	\$4,147,165
Support Services:	3,333,099	3,027,446	3,389,498	3,052,554
Operational of Non-Instructional Services	369,219	28,823	369,597	33,591
Extracurricular Activities	258,669	183,699	277,568	202,374
Interest and Fiscal Charges	31,602	31,602	34,952	34,952
Total Expenses	<u>\$8,991,060</u>	<u>\$7,033,288</u>	<u>\$9,253,287</u>	<u>\$7,470,636</u>

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues of \$9,192,429 and expenditures of \$9,165,368.

Total governmental funds fund balance increased by \$27,061. The fund balance in the General Fund decreased by \$45,974 this was primarily due to an increase in expenditures. The fund balance in the Bond Retirement Fund increased \$35,084 due primarily to inflows exceeding debt obligation payments.

The District should remain stable through fiscal year 2019. House Bill 64 created the biennium budget for fiscal years 2016 and 2017. The budget created a new funding line item titled Capacity Aid. Capacity Aid is for districts whose millage generates less than the state median for one mill of valuation. This funding will provide significant new funding for the district. Capacity Aid is very similar to funding mechanisms that have been implemented in the past which attempted to deal with low property wealth districts. The historicity funded line items of Equity and Parity Aid were eventually phased out of the funding formulas.

Budget Highlights - General Fund

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

During the course of fiscal year 2015, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis revenue and other financing sources were \$7,775,874 representing a \$178,917 increase from the original budget estimate of \$7,596,957. The final budget reflected a 2.36 percent increase from the original budgeted amount. Most of this difference was due to the underestimate of property taxes. For the General Fund, the final budget basis expenditures were \$8,240,164, representing a \$28,878 increase from the original budgeted expenditures of \$8,269,042.

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$14.6 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$7.8 million.

Table 4 shows fiscal year 2015 balances compared to fiscal year 2014.

Table 4
Capital Assets & Accumulated Depreciation

	Governmental Activities	
	2015	2014
Nondepreciable Capital Assets:		
Land	\$23,487	\$23,487
Depreciable Capital Assets:		
Land Improvements	395,242	395,242
Buildings and Improvements	11,003,459	10,993,584
Furniture, Fixtures and Equipment	1,565,585	1,557,608
Vehicles	1,114,696	1,030,770
Library Books and Textbooks	538,343	515,691
Total Capital Assets	<u>14,640,812</u>	<u>14,516,382</u>
Less Accumulated Depreciation:		
Land Improvements	307,899	291,397
Buildings and Improvements	5,002,115	4,766,050
Furniture, Fixtures and Equipment	1,248,076	1,204,098
Vehicles	784,634	741,726
Library Books and Textbooks	443,586	427,525
Total Accumulated Depreciation	<u>7,786,310</u>	<u>7,430,796</u>
Totals	<u>\$6,854,502</u>	<u>\$7,085,586</u>

More detailed information pertaining to the District's capital asset activity can be found in Note 8 of the notes to the basic financial statements.

Debt Administration

At June 30, 2015 the District had \$575,000 in bonds outstanding with \$85,000 due within one year. Table 5 summarizes bonds outstanding for fiscal year 2015 compared to fiscal year 2014.

Table 5
Outstanding Debt

Purpose	Governmental Activities	
	2015	2014
School Improvement Refunding Bonds	\$575,000	\$650,000
Total	<u>\$575,000</u>	<u>\$650,000</u>

More detailed information pertaining to the District's long-term debt activity can be found in Note 13 of the notes to the basic financial statements.

EASTERN LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Current Issues

Although considered a mid-wealth district, the district has maintained financial stability primarily from monitoring expenditures and making necessary budget reductions. As indicated in the preceding financial information, the District is heavily dependent on intergovernmental revenue. Given the current inflationary increases, especially in terms of group health premium trends, the current program and staffing levels of the district will be dependent on increased state, local and federal funding.

Careful financial planning and the passage of a building levy in 1996 have permitted the District to provide a quality education for our students along with renovated facilities. The district has received an effective rating over the past several years on our district report card. The new reporting system has eliminated these rankings and has been replaced by a series of letter grades in various areas.

State legislation and the economy of the state greatly impact the financial stability of the District. The property values within the district are low. One voted mill will only generate approximately \$70,000. It would take a significant level of voted millage to produce any meaningful increase in local funding

House Bill 59 established the current biennium and will implement a new state funding formula for public school districts. This formula will impact fiscal year 2014 and 2015. This funding formula is based on a combination of local property valuation wealth per pupil and local wealth per pupil. Unfortunately this formula did not generate any additional state funding for the district and placed the district on a funding guarantee during fiscal year 2014 and 2015.

House Bill 64 established the upcoming biennium budget for fiscal year 2016 and 2017. This biennium budget formula kept many of the same formulas created in House Bill 59, but also provided relief for district that had low property wealth and high CAUV valuations. Eastern Local will receive additional unrestricted state aide in both fiscal year 2016 and 2017.

A casino amendment was placed in section 6(C) of article XV of the Ohio Constitution. This amendment allowed for the construction of four casinos in the state and imposes a 33% tax on the casino's gross receipts. 34% of the proceeds from the tax are distributed to public schools. Casino tax revenue is received in January and August and resulted in revenue in the amount of \$38,947.65 for fiscal year 2015.

Contacting the District's Financial Management

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

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**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Net Position
June 30, 2015**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	2,486,057
Materials and Supplies Inventory		2,707
Accounts Receivable		198
Intergovernmental Receivable		187,823
Prepaid Items		54,529
Taxes Receivable		2,017,186
Restricted Assets:		
Equity in Pooled Cash and Cash Equivalents		52,866
Non-Depreciable Capital Assets		23,487
Depreciable Capital Assets, net		6,831,015
Total Assets		<u>11,655,868</u>
Deferred Outflow of Resources		
Deferred Charges on Refunding Pension		28,853
Total Deferred Outflows of Resources		<u>685,327</u> 714,180
Liabilities:		
Accounts Payable		35,215
Accrued Wages and Benefits		892,445
Intergovernmental Payable		206,784
Accrued Interest Payable		2,274
Claims Payable		4,623
Long-Term Liabilities:		
Due Within One Year		152,677
Due in More Than One Year		715,626
Net Pension Liability		9,461,396
Total Liabilities		<u>11,471,040</u>
Deferred Inflows of Resources:		
Property Taxes Receivable		562,981
Pension		1,708,413
Total Deferred Inflows of Resources		<u>2,271,394</u>
Net Position:		
Net Investment in Capital Assets		6,435,603
Restricted for:		
Debt Service		634,301
Capital		7,538
Other Purposes		746,205
Unrestricted		(9,196,033)
Total Net Position	\$	<u><u>(1,372,386)</u></u>

See Accompanying Notes to the Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2015**

	Program Revenues		Net(Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 4,093,962	\$ 705,494	\$ 50,472	\$ (3,337,996)
Special	904,264	0	480,787	(423,477)
Student Intervention Services	198	0	0	(198)
Other	47	0	0	(47)
Support Services:				
Pupils	687,099	0	195,099	(492,000)
Instructional Staff	177,788	0	86,357	(91,431)
Board of Education	24,431	0	0	(24,431)
Administration	565,510	0	24,197	(541,313)
Fiscal	271,807	0	0	(271,807)
Operation and Maintenance of Plant	891,307	0	0	(891,307)
Pupil Transportation	636,274	0	0	(636,274)
Central	78,883	0	0	(78,883)
Operation of Non-Instructional Services	369,219	113,597	226,799	(28,823)
Extracurricular Activities	258,669	73,126	1,844	(183,699)
Interest and Fiscal Charges	31,602	0	0	(31,602)
Totals	\$ 8,991,060	\$ 892,217	\$ 1,065,555	(7,033,288)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	1,596,825
Property Taxes, Levied for Debt Service	143,682
Property Taxes, Levied for Other	26,579
Grants and Entitlements not Restricted to Specific Programs	5,458,954
Gifts and Donations	30,617
Investment Earnings	5,955
Miscellaneous	93,898
Total General Revenues	7,356,510
Change in Net Position	323,222
Net Position Beginning of Year (as restated)	(1,695,608)
Net Position End of Year	\$ (1,372,386)

See Accompanying Notes to the Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2015**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,125,832	\$ 518,265	\$ 719,336	\$ 2,363,433
Materials and Supplies Inventory	0	0	2,707	2,707
Accounts Receivable	0	0	198	198
Interfund Receivable	2,657	0	0	2,657
Intergovernmental Receivable	0	0	187,823	187,823
Prepaid Items	54,529	0	0	54,529
Taxes Receivable	1,817,506	169,106	30,574	2,017,186
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	52,866	0	0	52,866
Total Assets	\$ 3,053,390	\$ 687,371	\$ 940,638	\$ 4,681,399
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 34,480	\$ 0	\$ 735	\$ 35,215
Accrued Wages and Benefits	811,584	0	80,861	892,445
Interfund Payable	0	0	2,657	2,657
Intergovernmental Payable	176,551	0	30,233	206,784
Total Liabilities	1,022,615	0	114,486	1,137,101
Deferred Inflow of Resources				
Property Levied for the Next Fiscal Year	503,162	50,796	9,023	562,981
Delinquent Property Tax Not Available	534,506	48,106	8,924	591,536
Deferred Intergovernmental Revenue	0	0	96,525	96,525
Total Deferred Inflows of Resources	1,037,668	98,902	114,472	1,251,042
Total Liabilities and Deferred Inflows of Resources	2,060,283	98,902	228,958	2,388,143
Fund Balances				
Nonspendable	54,529	0	2,707	57,236
Restricted	52,866	588,469	316,087	957,422
Committed	0	0	401,490	401,490
Assigned	885,712	0	0	885,712
Unassigned	0	0	(8,604)	(8,604)
Total Fund Balances	993,107	588,469	711,680	2,293,256
Total Liabilities and Fund Balances	\$ 3,053,390	\$ 687,371	\$ 940,638	\$ 4,681,399

See Accompanying Notes to the Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2015**

Total Governmental Fund Balances	\$	2,293,256
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Amounts reported for governmental activities on the statement of Net Position are different because:

The net pension liability is not due in the current period therefore, the liability and related deferree inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	685,327	
Deferred Inflows - Pension	(1,708,413)	
Net Pension Liability	(9,461,396)	(10,484,482)

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		6,854,502
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Some of the District's receivables will be collected after fiscal year-end, but are not available soon enough to pay current period's expenditures and therefore are deferred in the funds. These receivables consist of:

Property taxes	591,536	
Intergovernmental revenue	96,525	
Total	688,061	688,061

Unamortized issuance costs represent deferred outflows which don not provide current financial resources and are therefore not reported in the funds.		28,853
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Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are in included in governmental activities in the statement of Net Position.		118,001
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Some liabilities are not due and payable in the current and therefore are not reported in the funds. These liabilities consist of:

Accrued interest on bonds	(2,274)	
Refunding bonds	(615,271)	
Capital Leases	(22,716)	
Compensated Absences	(230,316)	(870,577)

Net Position of Governmental Activities	\$	(1,372,386)
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See Accompanying Notes to the Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,387,704	\$ 124,861	\$ 22,810	\$ 1,535,375
Intergovernmental	5,586,797	21,862	999,091	6,607,750
Interest	4,464	0	1,764	6,228
Tuition and Fees	678,263	0	0	678,263
Rent	27,231	0	0	27,231
Extracurricular Activities	2,300	0	70,826	73,126
Gifts and Donations	13,048	0	19,413	32,461
Customer Sales and Services	0	0	113,597	113,597
Miscellaneous	92,898	0	1,010	93,908
Total Revenues	7,792,705	146,723	1,228,511	9,167,939
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,082,736	0	42,871	4,125,607
Special	563,113	0	349,293	912,406
Student Intervention Services	198	0	0	198
Other	47	0	0	47
Support Services:				
Pupils	503,880	0	195,099	698,979
Instructional Staff	84,306	0	99,123	183,429
Board of Education	24,463	0	0	24,463
Administration	555,467	0	48,093	603,560
Fiscal	265,159	5,248	924	271,331
Operation and Maintenance of Plant	797,000	0	20,000	817,000
Pupil Transportation	683,979	0	8,192	692,171
Central	79,184	0	0	79,184
Operation of Non-Instructional Services	5,310	0	358,803	364,113
Extracurricular Activities	159,916	0	68,162	228,078
Capital Outlay	56,046	0	0	56,046
Debt Service:				
Principal	1,774	75,000	0	76,774
Interest	591	31,391	0	31,982
Total Expenditures	7,863,169	111,639	1,190,560	9,165,368
Excess of Revenues Over (Under) Expenditures	(70,464)	35,084	37,951	2,571
OTHER FINANCING SOURCES AND USES:				
Inception of Capital Lease	24,490	0	0	24,490
Total Other Financing Sources and Uses	24,490	0	0	24,490
Net Change in Fund Balances	(45,974)	35,084	37,951	27,061
Fund Balance (Deficit) at Beginning of Year	1,039,081	553,385	673,729	2,266,195
Fund Balance (Deficit) at End of Year	\$ 993,107	\$ 588,469	\$ 711,680	\$ 2,293,256

See Accompanying Notes to the Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$	27,061
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		650,660
Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities.		(460,425)
Governmental funds report capital outlay as expenditures. However, on 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 capital outlay exceeds depreciation in the current year.		
Capital Outlay - Depreciable Capital Assets	139,843	
Depreciation	(367,801)	(227,958)
The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of Net Position and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.		
Gain (Loss) on Disposal of Capital Assets		(3,126)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Intergovernmental	(83,241)	
Interest	(273)	
Gifts and donations	(1,844)	
Miscellaneous	(10)	
Delinquent Property Taxes	231,711	146,343
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		75,000
Payments on capital lease		1,774
Inception of capital lease		(24,490)
Internal Service Fund is used by management to charge the costs of insurance to individual funds not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.		43,741
In the statement of activities, interest accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		380
Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:		
Compensated Absences	94,262	94,262
Change in Net Position of Governmental Activities	\$	323,222

See Accompanying Notes to the Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$ 1,309,800	\$ 1,380,100	\$ 1,380,484	\$ 384
Intergovernmental	5,577,500	5,586,800	5,586,797	(3)
Interest	5,000	5,000	4,464	(536)
Tuition and Fees	662,750	677,450	676,813	(637)
Rent	28,000	28,000	28,575	575
Gifts and Donations	5,000	1,904	1,969	65
Miscellaneous	1,000	49,491	49,517	26
Total Revenues	<u>7,589,050</u>	<u>7,728,745</u>	<u>7,728,619</u>	<u>(126)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,269,335	4,248,825	4,088,832	159,993
Special	551,559	551,559	548,301	3,258
Student Intervention Services	11,845	11,845	0	11,845
Support services:				
Pupils	511,080	511,080	505,950	5,130
Instructional Staff	108,485	108,485	83,573	24,912
Board of Education	33,557	33,557	30,521	3,036
Administration	602,464	602,464	559,169	43,295
Fiscal	280,002	280,002	265,965	14,037
Operation and Maintenance of Plant	886,354	884,670	838,361	46,309
Pupil Transportation	710,625	708,496	701,625	6,871
Central	71,809	71,809	79,907	(8,098)
Operation of Non-Instructional Services	9,150	9,150	5,310	3,840
Extracurricular activities	151,777	151,777	109,159	42,618
Capital Outlay	71,000	66,445	66,445	0
Total Expenditures	<u>8,269,042</u>	<u>8,240,164</u>	<u>7,883,118</u>	<u>357,046</u>
Excess of Revenues Over (Under) Expenditures	<u>(679,992)</u>	<u>(511,419)</u>	<u>(154,499)</u>	<u>356,920</u>
Other Financing Sources (Uses):				
Advances In	7,907	3,129	3,129	0
Refund of Prior Year Expenditures	0	44,000	44,104	104
Transfers Out	0	0	(316)	(316)
Advances Out	0	0	(6,109)	(6,109)
Refund of Prior Year Receipts	0	0	(2,350)	(2,350)
Total Other Financing Sources (Uses)	<u>7,907</u>	<u>47,129</u>	<u>38,458</u>	<u>(8,671)</u>
Net Change in Fund Balance	(672,085)	(464,290)	(116,041)	348,249
Fund Balance at Beginning of Year	1,089,432	1,089,432	1,089,432	0
Prior Year Encumbrances Appropriated	86,769	86,769	86,769	0
Fund Balance at end of Year	<u>\$ 504,116</u>	<u>\$ 711,911</u>	<u>\$ 1,060,160</u>	<u>\$ 348,249</u>

See Accompanying Notes to Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fund Net Position
Internal Service Fund
June 30, 2015**

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>122,624</u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>4,623</u>
Net Position:	
Unrestricted	<u>118,001</u>
Total Net Position	\$ <u><u>118,001</u></u>

See Accompanying Notes to Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
June 30, 2015**

OPERATING REVENUES:

Other Revenues	\$ <u>94,423</u>
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OPERATING EXPENSES:

Claims	4,156
Other	<u>46,526</u>
Total Operating Expenses	<u>50,682</u>

Net Change in Net Position	43,741
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Net Position (Deficit) at Beginning of Year	74,260
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Net Position (Deficit) at End of Year	\$ <u><u>118,001</u></u>
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See Accompanying Notes to Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Cash Flows
Internal Service Fund
June 30, 2015**

	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 94,423
Payments for Other Operating Expenses	(46,526)
Payments for Claims	<u>(5,315)</u>
Net Cash from Operating Activities	<u>42,582</u>
Net Increase (Decrease) in Cash and Cash Equivalents	42,582
Cash and Cash Equivalents at Beginning of Year	<u>80,042</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 122,624</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ 43,741
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>(1,159)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 42,582</u></u>

See Accompanying Notes to Basic Financial Statements

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>44,342</u>
Liabilities	
Due to Students	\$ <u>44,342</u>

See Accompanying Notes to the Basic Financial Statements

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**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Eastern Local School District (the District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established in 1956. The District serves an area of approximately 115 square miles. It is located in Meigs County, and includes the communities of Reedsville, Tappers Plains and Chester, and the Townships of Orange, Olive, Chester and a portion of Bedford. It is staffed by 39 non-certificated employees, 61 certificated full-time teaching personnel and 5 administrative employees who provide services to 787 students and other community members. The District currently operates 2 instructional buildings, 1 administrative building and 1 garage.

Reporting Entity:

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

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

The District is associated with five organizations, two of which are defined as jointly governed organizations and three as insurance purchasing pools. These organizations are the Jefferson Health Plan, the Southeast Ohio Voluntary Education Cooperative, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Worker's Compensation Group Rating Plan, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 18 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following are the District's major governmental funds:

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

Bond Retirement Fund- This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

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

Proprietary Fund

The proprietary fund focus is on the determination of the change in net position, financial position and cash flows and is classified as internal service. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides dental benefits to employees.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund which is used to account for student managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance 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.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange 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 and "available" means that the resources are collectible 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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 10.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10).

Pensions

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

During the fiscal year 2015, the District's investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$4,464, which includes \$1,741 assigned from other District funds.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

F. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by statute to be set-aside by the District for budget stabilization. See Note 16 for additional information regarding set-asides.

H. Capital Assets

General capital assets are associated with and generally arise from governmental activities. These assets generally 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 fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 – 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	8 years
Library Books and Textbooks	5 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net position.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 District has identified as probable of receiving payments 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 District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 20 years of service with the District.

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 employees will be paid.

K. Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities and long-term liabilities 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, compensated absences, special termination of benefits and contractually required pension contributions 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. Long-term bonds are recognized as a liability on the fund financial statements when due.

L. Net Position

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

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

M. Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

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

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund.

O. Interfund Transactions

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 to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For the fiscal year 2015, the District reported no extraordinary or special items.

Q. Estimates

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

R. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the 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 2015.

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.

NOTE 3 - ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2015:

Nonmajor Special Revenue Funds:	
Title VI-B	\$7,497
Title I	887
Title II-D	220

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described earlier 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 Balance - Budget (Non-GAAP Basis) and Actual (Budget Basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance.
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	General
GAAP Basis	(\$45,974)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2014, Received In Cash FY 2015	774,685
Accrued FY 2015, Not Yet Received in Cash	(850,782)
Expenditure Accruals:	
Accrued FY 2014, Paid in Cash FY 2015	(931,018)
Accrued FY 2015, Not Yet Paid in Cash	1,042,482
Advances Net	(2,980)
Net Non General Fund Cash Activity	2,535
Encumbrances Outstanding at Year End (Budget Basis)	(104,989)
Budget Basis	(\$116,041)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 - DEPOSITS AND INVESTMENTS-(Continued)

Inactive deposits are public deposits that the Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be either 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 accounts including passbook accounts.

Public depositories must give security for all public funds on deposit. Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the fair 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 fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 - DEPOSITS AND INVESTMENTS-(Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposits and Investment Risk Disclosures."

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At June 30, 2015, the carrying amount of all District deposits was \$1,174,815. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2015, \$957,173 of the District's bank balance of \$1,207,823 was exposed to custodial risk as discussed above while \$250,650 was covered by Federal Deposit Insurance. The \$957,173 exposed to custodial risk was collateralized with securities held by the District or its agency in the District's name.

Investments: As of June 30, 2015, the District had the following investments and maturities:

	Fair Value	6 Months or less
STAR Ohio	\$1,408,450	\$1,408,450
Total Investments	\$1,408,450	\$1,408,450

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: "Standard and Poor's has assigned STAR Ohio an "AAA" money marked rating."

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. District policy provides that investment collateral is held by the counter party as trust department or agent, and may be held in the name of the District or not.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 - PROPERTY TAXES

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

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

Public utility real and tangible personal property taxes for 2015 were levied after April 1, 2014, on the assessed values as of December 31, 2013, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Meigs County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015 are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the delinquent taxes outstanding and real property, and public utility taxes which become measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The total amount available as an advance at June 30, 2015 was \$862,669 and is recognized as revenue. Of this total amount, \$779,838 was available to the General Fund, \$70,204 was available to the Bond Retirement Debt Service Fund, and \$12,627 was available to the Classroom Facilities Maintenance Nonmajor Special Revenue Fund.

Property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2015 operations have been recorded as deferred inflows of resources on the Statement of Net Position and Governmental Fund Balance Sheet.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 - PROPERTY TAXES-(Continued)

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

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$69,640,140	90.30%	\$70,672,010	85.26%
Public Utility Personal	7,483,560	9.70%	12,216,890	14.74%
Total Assessed Value	<u>\$77,123,700</u>	<u>100.00%</u>	<u>\$82,888,900</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$20.00		\$20.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015 consisted of property taxes, accounts (student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	
Nonmajor Special Revenue Funds:	
Miscellaneous Federal Grant Fund	\$104,208
Title II - A	31,028
Title I	30,029
Idea Part - B	<u>22,558</u>
Total Intergovernmental	<u>\$187,823</u>

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 8 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2015 was as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2015</u>
Capital Assets:				
Nondepreciable Capital Assets				
Land	\$23,487	\$0	\$0	\$23,487
Total Nondepreciable Capital Assets	<u>23,487</u>	<u>0</u>	<u>0</u>	<u>23,487</u>
Depreciable Capital Assets				
Land Improvements	395,242			395,242
Buildings and Improvements	10,993,584	9,875	0	11,003,459
Furniture, Fixtures and Equipment	1,557,608	23,390	15,413	1,565,585
Vehicles	1,030,770	83,926	0	1,114,696
Library Books and Textbooks	515,691	22,652	0	538,343
Total Depreciable Capital Assets	<u>14,492,895</u>	<u>139,843</u>	<u>15,413</u>	<u>14,617,325</u>
Less Accumulated Depreciation				
Land Improvements	291,397	16,502	0	307,899
Buildings and Improvements	4,766,050	236,065	0	5,002,115
Furniture, Fixtures and Equipment	1,204,098	56,265	12,287	1,248,076
Vehicles	741,726	42,908	0	784,634
Library Books and Textbooks	427,525	16,061	0	443,586
Total Accumulated Depreciation	<u>7,430,796</u>	<u>367,801</u>	<u>12,287</u>	<u>7,786,310</u>
Depreciable Capital Assets, Net	<u>7,062,099</u>	<u>(227,958)</u>	<u>3,126</u>	<u>6,831,015</u>
Total Capital Assets, Net	<u>\$7,085,586</u>	<u>(\$227,958)</u>	<u>\$3,126</u>	<u>\$6,854,502</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$193,308
Special	42,638
Support Services:	
Pupils	2,699
Instructional Staff	2,451
Administration	758
Fiscal	264
Operation and Maintenance of Plant	34,580
Pupil Transportation	43,551
Operation of Non-Instructional Services:	11,264
Extracurricular	26,288
Total Depreciation Expense	<u>\$367,801</u>

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 - RISK MANAGEMENT

The 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. The District participates in the Schools of Ohio Risk Sharing Authority, Inc. for insurance coverage. Coverages provided are as follows:

Property Insurance	\$29,023,890
Equipment Breakdown	50,000,000
Automobile Liability	15,000,000
Wrongful Acts	15,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	15,000,000
Total per Year	17,000,000

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

For fiscal year 2015, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

The District provides a dental insurance program for its employees. Premiums are paid directly to a third party administrator, Medical Claims Services, Inc., out of the District's Self-Insurance Internal Service Fund. Medical Claims Services, Inc. services all claims submitted by employees. The Internal Service Fund presented in the financial statements reflects the premiums paid by the same funds that pay the employees' salaries. The premiums paid into the Internal Service Fund are used for claims, claim reserves and administrative costs. This District pays 100% of the premiums for dental insurance.

The claims liability of \$4,623 reported at June 30, 2015 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past fiscal year are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2014	\$3,212	\$67,822	\$65,252	\$5,782
2015	\$5,782	\$4,156	\$5,315	\$4,623

**EASTERN LOCAL SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 - RISK MANAGEMENT (Continued)

During fiscal year 2003, the District elected to stop providing medical and prescription drug benefits through the Self- Insurance Internal Service Fund and switch to a fully funded plan. The District's dental insurance program remains a self-funded plan, which represents the claims payable as June 30, 2015.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District's contractually required contribution to SERS was \$148,651 for fiscal year 2015. Of this amount \$83,964 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 retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

The District's contractually required contribution to STRS was \$447,654 for fiscal year 2015. Of this amount \$80,448 is reported as an intergovernmental payable.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,849,269	\$7,612,127	\$9,461,396
Proportion of the Net Pension Liability	0.036540%	0.0312954%	
Pension Expense	\$108,752	351,673	460,425

At June 30, 2015, the District reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$15,739	\$73,283	\$89,022
District contributions subsequent to the measurement date	152,520	482,688	635,208
Total Deferred Outflows of Resources	\$168,259	\$555,971	\$724,230
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$300,141	\$1,408,272	\$1,708,413

\$635,208 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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:			
2016	(\$71,100)	(\$333,747)	(\$404,847)
2017	(71,100)	(333,747)	(404,847)
2018	(71,100)	(333,747)	(404,847)
2019	(71,102)	(333,748)	(404,850)
Total	(\$284,402)	(\$1,334,989)	(\$1,619,391)

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$2,638,357	\$1,849,269	\$1,185,577

Actuarial Assumptions - STRS

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

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

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

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

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

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

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

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
District's proportionate share of the net pension liability	\$10,897,589	\$7,612,127	\$4,833,731

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2015, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is .82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned health care for the years ended June 30, 2015, 2014, and 2013 were \$12,190, \$1,811, and \$1,995, respectively; 7 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

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

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

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 - POSTEMPLOYMENT BENEFITS – (Continued)

B. State Teachers Retirement System

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2015, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$35,417 and \$35,871, respectively; 100 percent has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for classified employees and 245 for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 50 days classified employees and 50 days for certified employees.

**EASTERN LOCAL SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 12 - EMPLOYEE BENEFITS (Continued)

Health, Prescription Drug, and Life Insurance

The District participates in the Jefferson Health Plan. The district contributes premiums to the consortium for the purchase of health insurance benefits. The individual stop-loss amount was \$35,000 during FY 2015, but was increased to \$50,000 effective, July 1, 2015. The Program purchases additional stop loss insurance for the consortium. Three plans are offered to district employees. Plan A is a traditional preferred provider plan and employees contribute 10% of the cost of the premium which is \$832.94/\$1,784.86 single/family coverage. Plan B is a HDHP with an HSA the board contributes \$750/\$1500 to the HSA for certified employees and \$1,125/\$2,250 for classified employees to cover the high deductible and 100% of the premium which is \$689.67/\$1,600.57 single/family. Plan C is a HDHP with an HSA the board contributes \$750/\$1500 to the HSA for certified employees and \$1,125/\$2,250 for classified employees to cover the high deductible and 100% of the premium which is to cover the high deductible and 100% of the premium which is \$749.65/\$1,739.75 single/family.

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

NOTE 13 - LONG-TERM LIABILITIES

The changes in the District's long-term liabilities during fiscal year 2015 were as follows:

	Principal Outstanding At July 1, 2014	Additions	Deductions	Principal Outstanding At June 30, 2015	Amount Due Within One Year
Governmental Activities:					
2006 Refunding Bonds 5.125%	\$650,000	\$0	\$75,000	\$575,000	\$85,000
Premium on Bonds Issued	44,634	0	4,363	40,271	4,363
Capital Leases	0	24,490	1,774	22,716	4,442
Net Pension Liability	11,240,430	0	1,779,034	9,461,396	
Compensated Absences	324,578	51,315	145,577	230,316	58,872
Total Governmental Activities Long-Term Obligations	<u>\$12,259,642</u>	<u>\$75,805</u>	<u>\$2,005,748</u>	<u>\$10,329,699</u>	<u>\$152,677</u>

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 13 - LONG-TERM LIABILITIES – (Continued)

Refunding General Obligation Bonds - During fiscal year 2008, the District issued \$1,055,000 of general obligation bonds for the advance refunding of \$1,105,000 of the 1997 series bonds. The proceeds of the refunding were deposited in an irrevocable trust to provide for all future debt service payments. The payment to the escrow agent resulted in an in-substance defeasance of the 1997 Series bonds. As a result, the liability for the 1997 Series bonds was removed as a liability of the District, except for a final \$50,000 payment due by the District on December 1, 2007. The \$70,812 premium on the issuance of the refunding bonds and the \$64,868 of bond issuance costs are netted against this new debt and will be amortized over the life of this new debt, which has the same remaining life of the refunded debt of 14 years with a final maturity of December 1, 2021. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in an economic gain of \$165,036 and a reduction of \$159,092 in future debt service payments. The refunding bonds are retired through the Bond Retirement Fund using tax revenues.

The compensated absences are paid from the fund from which the respective employees' salaries are paid.

The District's overall legal debt margin was \$7,473,470 with an unvoted debt margin of \$82,889 at June 30, 2015.

The annual requirements to retire the general obligation renovation bonds outstanding at June 30, 2015 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Refunding Bonds</u>	<u>Interest</u>	<u>Total</u>
2016	\$85,000	\$27,291	\$112,291
2017	90,000	22,806	112,806
2018	95,000	18,065	113,065
2019	95,000	13,197	108,197
2020	100,000	8,200	108,200
2021	110,000	2,819	112,819
Total	<u>\$575,000</u>	<u>\$92,378</u>	<u>\$667,378</u>

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 14 – FUND BALANCES

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

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid Items	\$54,529	\$0	\$0	\$54,529
Inventory	0	0	2,707	2,707
Restricted for:				
Set Asides	52,866	0	0	52,866
Special Revenues:				
Athletics	0	0	18,589	18,589
Facilities Maintenance	0	0	216,288	216,288
Food Service	0	0	42,090	42,090
Local Grants	0	0	1,749	1,749
Federal Grants	0	0	29,833	29,833
Debt Service	0	588,469	0	588,469
Capital Projects	0	0	7,538	7,538
Committed:				
Eagle Express	0	0	2,740	2,740
Education Foundation	0	0	398,750	398,750
Assigned:				
Uniform School Supply	86	0	0	86
Community Education	7	0	0	7
Public School Support	13,446	0	0	13,446
Encumbrances	73,198	0	0	73,198
Appropriations	798,975	0	0	798,975
Unassigned	0	0	(8,604)	(8,604)
Total Fund Balance	\$993,107	\$588,469	\$711,680	\$2,293,256

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2015, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$2,657	\$0
Nonmajor Special Revenue Funds:		
Title I	0	44
Miscellaneous Federal Grant Fund	0	2,613
Total Nonmajor Special Revenue	<u>0</u>	<u>2,657</u>
Total	<u>\$2,657</u>	<u>\$2,657</u>

All the interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

NOTE 16 - STATUTORY SET-ASIDES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition 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>	<u>Budget Stabilization</u>
Set-Aside Balance as of July 1, 2014	\$40,016	\$52,866
Current Year Set-Aside Requirement	137,597	0
Offset Credits	(26,297)	0
Qualifying Disbursements	<u>(151,316)</u>	<u>0</u>
Total	<u>\$0</u>	<u>\$52,866</u>
Set-aside Balance as of June 30, 2015	<u>\$0</u>	<u>\$52,866</u>
Total Restricted Assets		\$52,866

Senate Bill 345 eliminated the Budget Stabilization Reserve, except for amounts related to unspent Bureau of Workers compensation refunds. The Bill requires the Board of Education to designate its intended use of the Reserve. The Board of Education designated, by motion, that the reserve will be used to address unforeseen or emergency situations.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 17 – ENCUMBRANCE COMMITMENTS

At June 30, 2015, the District had encumbrance commitments in the General Fund in the amount of \$104,989.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Southeast Ohio Voluntary Education Cooperative (SEOVEC)

Southeast Ohio Voluntary Education Cooperative is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC has 28 participants consisting of 25 school districts and 3 educational service centers. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to member districts. Each member district pays a fee annually for services provided by SEOVEC. SEOVEC is governed by a governing board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. Athens-Meigs Educational Service Center of Athens County serves as the fiscal agent. The continued existence of SEOVEC is not dependent on the District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. Financial statements for SEOVEC can be obtained from the Southeast Ohio Voluntary Education Cooperative, 221 North Columbus Road, Athens, Ohio 45701. The District made payments of \$77,109 to SEOVEC in fiscal year 2015.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various in service for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council. The District paid \$325 for membership in fiscal year 2015.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 19 - INSURANCE PURCHASING POOL

Jefferson Health Plan

The District participates in the Jefferson Health Plan, an insurance purchasing pool. The Plan's business and affairs are conducted by a Board of Trustees consisting of the current Superintendent of each of the school districts and county boards of education in the Plan. The Executive Director, or his designee, serves as coordinator of the program. Each month, the participating school districts pay a premium to the Plan to cover the costs of administering the program.

Ohio School Boards Association Worker's Compensation Group Rating Plan

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

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons, which might result in claims being made against members of SORSA, their employees or officers.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. SORSA employs an Executive Director and a Member Services Coordinator to administer the pool while claims are processed by Avizent. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483 or by calling 866-767-7299.

NOTE 20 - CONTINGENCIES

Grants

The 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 21 - CHANGE IN ACCOUNTING PRINCIPLE

Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$8,979,109
Adjustments:	
Net Pension Liability	(11,240,430)
Deferred Outflow – Payments Subsequent to Measurement Date	565,713
Restated Net Position June 30, 2014	(\$1,695,608)

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

NOTE 22 – CAPITAL LEASES

In 2015, the District has entered into lease agreements for copiers. These lease obligations meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. Principal payments in fiscal year 2015 totaled \$1,774 in the governmental funds. The equipment has been capitalized in the amount of \$24,490, the present value of the minimum lease payments at the inception of the lease.

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of June 30, 2015:

Fiscal Year Ending June 30,	General Long-Term Obligations
2016	\$5,676
2017	5,676
2018	5,676
2019	5,676
2020	3,311
Total Future Minimum Lease Payments	26,015
Less: Amount Representing Interest	(3,299)
Present Value of Future Minimum Lease Payments	\$22,716

**EASTERN LOCAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)**

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.036540%	0.036540%
School District's Proportionate Share of the Net Pension Liability	\$1,849,269	\$2,172,917
School District's Covered-Employee Payroll	\$1,062,350	\$982,855
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	174.07%	221.082
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available

**EASTERN LOCAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)**

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.0312954%	0.0312954%
School District's Proportionate Share of the Net Pension Liability	\$7,612,127	\$9,067,513
School District's Covered-Employee Payroll	\$3,219,004	\$3,290,780
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	236.47%	275.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available

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EASTERN LOCAL SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Contributions
School Employees Retirement System
Last Ten Fiscal Years

	2006	2007	2008
Contractually required contribution	\$88,507	\$99,399	\$110,690
Contributions in relation to the contractually required contribution	88,507	99,399	110,690
Contribution deficiency (excess)	\$0	\$0	\$0
District's covered-employee payroll	\$836,550	\$930,702	\$1,127,189
Contributions as a percentage of covered-employee payroll	10.58%	10.68%	9.82%

2009	2010	2011	2012	2013	2014	2015
\$84,646	\$160,001	\$162,413	\$160,799	\$163,380	\$169,450	\$148,651
84,646	160,001	162,413	160,799	163,380	169,450	148,651
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$860,224	\$1,251,964	\$1,375,216	\$1,266,134	\$1,247,176	\$1,293,511	\$1,127,853
9.84%	12.78%	11.81%	12.70%	13.10%	13.10%	13.18%

EASTERN LOCAL SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Contributions
State Teachers Retirement System
Last Ten Fiscal Years

	2006	2007	2008
Contractually required contribution	\$378,535	\$439,971	\$404,954
Contributions in relation to the contractually required contribution	378,535	439,971	404,954
Contribution deficiency (excess)	\$0	\$0	\$0
District's covered-employee payroll	\$2,911,808	\$3,384,392	\$3,115,031
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%

2009	2010	2011	2012	2013	2014	2015
\$430,382	\$468,943	\$479,919	\$465,976	\$466,323	\$418,471	\$447,654
430,382	468,943	479,919	465,976	466,323	418,471	447,654
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$3,310,631	\$3,607,254	\$3,691,685	\$3,584,431	\$3,587,100	\$3,219,008	\$3,197,529
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%

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**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2014/2015	10.555	\$ 23,418	\$ 21,627
Cash Assistance:				
School Breakfast Program	2015/2015	10.553	71,651	71,651
National School Lunch Program	2014/2015	10.555	150,712	150,712
Cash Assistance Subtotal			<u>222,363</u>	<u>222,363</u>
Total Child Nutrition Cluster			<u>245,781</u>	<u>243,990</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Direct from Federal Government</i>				
Fund for the Improvement of Education	2014	84.215E	24,928	24,928
	2015		<u>255,778</u>	<u>255,778</u>
Total Fund for the Improvement of Education			<u>280,706</u>	<u>280,706</u>
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2014	84.010	21,603	21,608
	2015		<u>161,284</u>	<u>161,328</u>
Total Title I Grants to Local Educational Agencies			<u>182,887</u>	<u>182,936</u>
Special Education - Grants to States	2014	84.027	32,687	32,673
	2015		<u>145,334</u>	<u>144,771</u>
Total Special Education - Grants to States			<u>178,021</u>	<u>177,444</u>
Twenty-First Century Community Learning Centers	2014	84.287	9,331	8,596
	2015		<u>81,333</u>	<u>82,385</u>
Total Twenty-First Community Learning Centers			<u>90,664</u>	<u>90,981</u>
Improving Teacher Quality State Grants	2014	84.367	6,750	6,752
	2015		<u>30,459</u>	<u>30,419</u>
Total Improving Teacher Quality State Grants			<u>37,209</u>	<u>37,171</u>
ARRA - Race to the Top	2014	84.395	<u>(117)</u>	<u>168</u>
Total U.S. Department of Education			<u>769,370</u>	<u>769,406</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,015,151</u>	<u>\$ 1,013,396</u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the District's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Local School District, Meigs County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 7, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Eastern Local School District's, Meigs County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2016

**EASTERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Fund for the Improvement of Education – CFDA #84.215E 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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EASTERN LOCAL SCHOOL DISTRICT

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 24, 2016**