Certified Public Accountants, A.C.

EAST PALESTINE CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

Single Audit
For the Year Ended June 30, 2018

313 Second St.	1907 Grand Central Ave.	150 W. Main St., #A	1310 Market St., #300	749 Wheeling Ave., #300
Marietta, OH 45750	Vienna, WV 26105	St. Clairsville, OH 43950	Wheeling, WV 26003	Cambridge, OH 43725
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OHIO AUDITOR OF STATE
KEITH FABER

Board of Education
East Palestine City School District
200 W. North Avenue
East Palestine, Ohio 44413

We have reviewed the *Independent Auditor's Report* of the East Palestine City School District, Columbiana County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

March 18, 2019

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EAST PALESTINE CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO

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INDEPENDENT AUDITOR'S REPORT

January 18, 2019

East Palestine City School District
Columbiana County
200 West North Avenue
East Palestine, Ohio 44413

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 **East Palestine City School District,** Columbiana County, Ohio (the District), as of and for the year ended June 30, 2018, 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 East Palestine City School District, Columbiana County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension and OPEB liabilities and pension and OPEB 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this 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 January 18, 2019, 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.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position increased $3,950,216 from fiscal year 2017, due to decreases in the net pension and OPEB liabilities. The effects of GASB 68 and 75 greatly distort the comparative analysis to follow in this MD&A due to the significant reduction to total expenses on a full accrual basis.

- Capital assets decreased $438,015, which represents a 2 percent decrease from the prior fiscal year.

- On a modified accrual basis, the general fund balance decreased $624,314, to a negative $695,859.

- On a modified accrual basis, the permanent improvement fund balance decreased $94,874, or 32 percent.

- For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB), resulting in the restatement of beginning net position from the previously reported $5,328,668, to $2,091,843.

- The District's total net pension liability decreased to $11,838,165 from $16,569,724 and the OPEB liability decreased to $2,611,771 from $3,258,518, a combined decrease of over $5 million. For more information on this liability see Notes 12 and 13 to the basic financial statements

Using these Basic Financial Statements

This annual report consists of this management's discussion and analysis, a series of financial statements and notes to those statements. These statements are organized so the reader can understand East Palestine City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the East Palestine City School District, the general fund and the permanent improvement capital projects fund are the most significant funds, and are the only two funds reported as major.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, the District has only one kind of activity:

- Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Due to the continuing subsidies that go to the lunchroom fund from the general fund, the lunchroom operation is also being considered as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

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 financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the permanent improvement capital projects fund.

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. Table 1 shows net position for fiscal year 2018 as compared to fiscal year 2017.

Table 1
Net Position (Table 1)

	2018	(Restated) 2017	Change
Assets			
Current and Other Assets	$3,922,346	$4,558,944	($636,598)
Capital Assets, Net	19,037,705	19,475,720	(438,015)
Total Assets	22,960,051	24,034,664	(1,074,613)
Deferred Outflows of Resources			
Pension	3,586,396	3,015,623	570,773
OPEB	112,263	21,693	90,570
Total Deferred Outflows of Resources	3,698,659	3,037,316	661,343
Liabilities			
Current Liabilities	1,450,924	1,255,390	195,534
Long-Term Liabilities			
Due within One Year	98,360	88,242	10,118
Due in More than One Year:			
Net Pension Liability	11,838,165	16,569,724	(4,731,559)
Net OPEB Liability	2,611,771	3,258,518	(646,747)
Other Amounts	787,483	847,247	(59,764)
Total Liabilities	16,786,703	22,019,121	(5,232,418)
Deferred Inflows of Resources			
Property Taxes	2,765,683	2,800,030	(34,347)
Pension	753,996	160,986	593,010
OPEB	310,269	0	310,269
Total Deferred Inflows of Resources	3,829,948	2,961,016	868,932
Net Position			
Net Investment in Capital Assets	19,037,705	19,475,720	(438,015)
Restricted	222,695	202,626	20,069
Unrestricted (Deficit)	(13,218,341)	(17,586,503)	4,368,162
Total Net Position	$6,042,059	$2,091,843	$3,950,216

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets plus deferred outflows exceeded liabilities plus deferred inflows by $6,042,059. Unrestricted net position at the end of the current fiscal year was a negative $13,218,341.

Table 2 shows the changes in net position for fiscal year 2018 and 2017:

Table 2
Change in Net Position

	2018	(Restated) 2017	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	$762,530	$652,354	$110,176
Operating Grants and Contributions	1,107,649	944,219	163,430
Total Program Revenues	1,870,179	1,596,573	273,606
General Revenues			
Property Taxes	2,953,765	2,984,055	(30,290)
Grants and Entitlements Not Restricted	8,762,677	8,644,810	117,867
Investment Earnings	5,127	3,919	1,208
Miscellaneous	207,688	368,450	(160,762)
Total General Revenues	11,929,257	12,001,234	(71,977)
Total Revenues	13,799,436	13,597,807	201,629
Program Expenses			
Instruction	3,676,802	7,990,446	(4,313,644)
Support Services	5,129,097	5,324,291	(195,194)
Operation of Non-Instructional/Food Services	514,859	550,805	(35,946)
Extracurricular Activities	514,984	608,272	(93,288)
Interest and Fiscal Charges	13,478	16,307	(2,829)
Total Program Expenses	9,849,220	14,490,121	(327,257)
Change in Net Position	3,950,216	(892,314)	528,886
Net Position Beginning of Year - Restated	2,091,843	N/A	
Net Position End of Year	$6,042,059	$2,091,843	$3,950,216

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $21,693 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $405,428. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	$9,849,220
Negative OPEB Expense under GASB 75	405,428
2018 Contractually Required Contributions	21,625
Adjusted 2018 Program Expenses	10,276,273
Total 2017 Program Expenses under GASB 75	14,490,121
Decrease in Program Expenses not Related to OPEB	($4,213,848)

Governmental Activities

Unrestricted grants and entitlements increased due to increased foundation receipts.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 85 percent of total governmental revenue. Property taxes support 30 percent of total expenses while grants and entitlements supported 89 percent of total expenses. Between these two revenue items, 100 percent of total expenses were funded this year.

The largest expense of the District is for its instructional programs. Instructional expenses totaled $3,676,802 or 37 percent, of total governmental expenses. The effects of GASB 68 and 75 greatly distort this comparative analysis due to the significant impact changes made to cost of living adjustments enacted by the state pension board had on the District's share of the total pension/OPEB liability.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2018 and 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Table 3
Total and Net Cost of Program Services

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	$3,676,802	$2,668,514	$7,990,466	$7,235,116
Support Services	5,129,097	4,979,494	5,324,271	5,121,309
Operation of Non-Instructional/Food Services	514,859	28,022	550,805	63,222
Extracurricular Activities	514,984	289,533	608,272	457,594
Interest and Fiscal Charges	13,478	13,478	16,307	16,307
Total Expenditures	$9,849,220	$7,979,041	$14,490,121	$12,893,548

The table above reflects how the District funds its programs through program revenues. Instructional services, support services, co-curricular activities, and interest charges rely heavily on general revenues, while non-instructional and food services were almost completely funded by program revenues during the fiscal year. The large decrease in instructional and support services is the byproduct of GASB 68 and 75 as previously discussed. To gain a better understanding of operations, please refer to the fund analysis on the next following pages.

The dependence upon general tax revenues and other general revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for East Palestine City School District students.

The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of ($429,108) which is a decrease from last year's total of $358,088. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	(Decrease)
General	($695,859)	($71,545)	($624,314)
Permanent Improvement	202,605	297,479	(94,874)
Other Governmental	64,146	132,154	(68,008)
Total	($429,108)	$358,088	($787,196)

General Fund

During fiscal year 2018, the District's general fund balance decreased on a modified accrual basis by $624,314; total revenues within the general fund increased by 0.4 percent while expenditures also increased by 5 percent, resulting in the overall decrease to fund balance. The following table assists in illustrating the financial activities and fund balance of the general fund.

	2018 Amount	2017 Amount	Percentage Change
Revenues			
Taxes	$2,338,773	$2,360,903	(0.9) %
Tuition and Fees	275,490	249,470	10.4 %
Charges for Services	162,352	149,852	8.3 %
Intergovernmental	8,663,630	8,545,861	1.4 %
Other revenues	310,624	398,478	(22.0) %
Total	$11,750,869	$11,704,564	0.4 %
Expenditures			
Instruction	6,631,615	6,699,344	(1.0) %
Support services	5,429,264	4,823,740	12.6 %
Operation of non-instructional services	7,121	4,225	68.5 %
Extracurricular activities	262,630	230,844	13.8 %
Debt service	44,553	44,437	0.3 %
Total	$12,375,183	$11,802,590	4.9 %

Permanent Improvement Fund

The District's permanent improvement capital projects fund had $671,836 in revenues and $766,710 in expenditures. The fund balance decreased $94,874 from a balance of $297,479 in fiscal year 2017, to a balance of $202,605 in fiscal year 2018.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018 the District amended its general fund budget a few times. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual revenue, including other financing sources, was $11,686,285, which was $328,715 less than the final budgeted revenues of $12,015,000.

Total actual expenditures, including other financing uses, were $12,315,705 which was $605,975 less than final appropriations of $12,921,680. The variance with final appropriations was due to a conservative estimates approach.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had $19,037,705 invested in capital assets. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

Table 4
Capital Assets at June 30 (Net of Depreciation)

	2018	2017
Land	$678,602	$475,814
Land Improvements	1,964,373	1,967,036
Buildings and Building Improvements	16,071,135	16,551,371
Furniture and Equipment	90,251	174,707
Vehicles	233,344	306,792
Total	$19,037,705	$19,475,720

All capital assets, except land are reported net of depreciation. The District had an overall decrease in capital assets of $438,015, attributable to current year depreciation of $684,024 and net deletions of $84,097exceeding current year additions of $330,106. For more information about the District's capital assets, see Note 9 to the basic financial statements.

Long-Term Obligations

At June 30, 2018, the District had $451,840 in Energy Conservation Notes payable and outstanding with $32,000 due within one year. The following table summarizes the outstanding long-term obligations.

Table 5
Outstanding Long-Term Obligations at Year End

	2018	(Restated) 2017
House Bill 264 Energy Conservation Note	$451,840	$482,840
Compensated Absences	434,003	452,649
Net Pension Liability	11,838,165	16,569,724
Net OPEB Liability	2,611,771	3,258,518
Total	$15,335,779	$20,763,731

The District issued Energy Conservation Notes to upgrade various buildings throughout the District during fiscal year 2015. The notes mature December 1, 2029 and have an interest rate of 2.90 percent. See Notes 11 to the basic financial statements for additional details.

Current Issues

The East Palestine City School District continues to receive strong support from the residents of the District. The District property tax levy is at the 20 mill floor and anticipates staying there.

Real estate and personal property tax collections have shown small decreases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annually in taxes. If three years later the home was reappraised and increased to $200,000 (and this inflammatory increase in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay $35.00.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. More staff retirements have helped the bottom line since all were replaced with staff members having little or no experience.

The District has also been affected by changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. An increase in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance has been difficult to budget with stagnant income.

The open enrollment trend is staggering and over the last 6 years the District has lost $4,821,925 net open enrollment dollars. The District continues to attract fewer open enrollment students and has lost more and more each year. The District loses full funding, $6,020 per student, for each lost, however the District only receives approximately 64 percent of that number from the State in return, in essence a 36 percent loss of local real estate dollars for each student who opts out of the District.

As of our October 2018 foundation, the District is losing a net dollar amount (students out minus students in) of $810,131, however for those students we are only receiving from the state 64 percent of that number, or $520,599, which means that the other $289,533 comes from our local real estate money.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The East Palestine City School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the East Palestine City School District. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Rick Ellis, Treasurer of East Palestine City School District, 200 W. North Avenue, East Palestine, Ohio 44413 or rick.ellis@EPSchools.k12.oh.us.

East Palestine City School District

Columbiana County, Ohio

Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$686,214
Cash and Cash Equivalents:	
In Segregated Accounts	159,789
Accounts Receivable	25,834
Intergovernmental Receivable	43,454
Property Taxes Receivable	3,007,055
Nondepreciable Capital Assets	678,602
Depreciable Capital Assets, Net	18,359,103
Total Assets	22,960,051
Deferred Outflows of Resources	
Pension	3,586,396
Other Postemployment Benefits	112,263
Total Deferred Outflows of Resources	3,698,659
Liabilities	
Accounts Payable	134,958
Accrued Wages and Benefits Payable	999,361
Intergovernmental Payable	315,513
Accrued Interest Payable	1,092
Long-Term Liabilities:	
Due Within One Year	98,360
Due In More Than One Year:	
Net Pension Liability	11,838,165
Other Postemployment Benefits Liability	2,611,771
Other Amounts Due in More than One Year	787,483
Total Liabilities	16,786,703
Deferred Inflows of Resources	
Property Taxes	2,765,683
Pension	753,996
Other Postemployment Benefits	310,269
Total Deferred Inflows of Resources	3,829,948
Net Position	
Net Investment in Capital Assets	19,037,705
Restricted for:	
Capital Projects	47,263
Other Purposes	175,432
Unrestricted (Deficit)	(13,218,341)
Total Net Position	$6,042,059

See accompanying notes to the basic financial statements

East Palestine City School District
Columbiana County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	$1,917,379	$301,113	$57,072	($1,559,194)
Special	1,748,730	56,345	586,596	(1,105,789)
Vocational	10,693	7,162	0	(3,531)
Support Services:				
Pupils	503,600	10,284	0	(493,316)
Instructional Staff	459,860	4,062	5,400	(450,398)
Board of Education	17,601	234	0	(17,367)
Administration	553,783	13,043	37,756	(502,984)
Fiscal	329,832	4,578	0	(325,254)
Business	1,221,364	16,540	0	(1,204,824)
Operation and Maintenance of Plant	1,268,456	48,016	0	(1,220,440)
Pupil Transportation	772,081	9,456	0	(762,625)
Central	2,520	234	0	(2,286)
Operation of Non-Instructional Services	514,859	122,626	364,211	(28,022)
Extracurricular Activities	514,984	168,837	56,614	(289,533)
Interest and Fiscal Charges	13,478	0	0	(13,478)
Total Governmental Activities	$9,849,220	$762,530	$1,107,649	(7,979,041)

General Revenues	
Property Taxes Levied for:	
General Purposes	2,330,446
Capital Outlay	577,597
Other Purposes	45,722
Grants and Entitlements not Restricted to Specific Programs	8,762,677
Investment Earnings	5,127
Miscellaneous	207,688
Total General Revenues	11,929,257
Change in Net Position	3,950,216
Net Position Beginning of Year - Restated (See Note 3)	2,091,843
Net Position End of Year	$6,042,059

See accompanying notes to the basic financial statements

East Palestine City School District
Columbiana County, Ohio

Balance Sheet
Governmental Funds
June 30, 2018

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$396,117	$196,142	$93,955	$686,214
Cash and Cash Equivalents:				
In Segregated Accounts	0	0	159,789	159,789
Accounts Receivable	25,134	0	700	25,834
Interfund Receivable	107,017	0	0	107,017
Intergovernmental Receivable	0	0	43,454	43,454
Property Taxes Receivable	2,372,691	587,868	46,496	3,007,055
Total Assets	$2,900,959	$784,010	$344,394	$4,029,363
Liabilities				
Accounts Payable	$95,194	$14,185	$25,579	$134,958
Accrued Wages and Benefits Payable	907,639	0	91,722	999,361
Intergovernmental Payable	304,454	0	11,059	315,513
Interfund Payable	0	0	107,017	107,017
Total Liabilities	1,307,287	14,185	235,377	1,556,849
Deferred Inflows of Resources				
Property Taxes	2,182,317	540,605	42,761	2,765,683
Unavailable Revenue - Property Taxes	107,214	26,615	2,110	135,939
Total Deferred Inflows of Resources	2,289,531	567,220	44,871	2,901,622
Fund Balances				
Restricted	0	202,605	248,407	451,012
Unassigned (Deficit)	(695,859)	0	(184,261)	(880,120)
Total Fund Balances	(695,859)	202,605	64,146	(429,108)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$2,900,959	$784,010	$344,394	$4,029,363

See accompanying notes to the basic financial statements

East Palestine City School District
Columbiana County, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		($429,108)
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,037,705
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes		135,939
The net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Deferred Outflows - Pension	3,586,396	
Deferred Inflows - Pension	(753,996)	
Net Pension Liability	(11,838,165)	
Deferred Outflows - OPEB	112,263	
Deferred Inflows - OPEB	(310,269)	
OPEB Liability	(2,611,771)	
Total		(11,815,542)
In the statement of activities, interest is accrued on outstanding leases and notes whereas in governmental funds, an interest expenditure is reported when due.		(1,092)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Energy Conservation Note	(451,840)	
Compensated Absences	(434,003)	
Total		(885,843)
Net Position of Governmental Activities		$6,042,059

See accompanying notes to the basic financial statements

East Palestine City School District
Columbiana County, Ohio

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

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$2,338,773	$579,735	$45,921	$2,964,429
Tuition and Fees	275,490	0	0	275,490
Interest	0	0	5,127	5,127
Charges for Services	162,352	0	122,309	284,661
Extracurricular Activities	51,393	0	117,444	168,837
Rentals	33,542	0	0	33,542
Contributions and Donations	19,048	0	37,566	56,614
Intergovernmental	8,663,630	92,101	1,057,981	9,813,712
Miscellaneous	206,641	0	1,047	207,688
Total Revenues	11,750,869	671,836	1,387,395	13,810,100
Expenditures				
Current:				
Instruction:				
Regular	4,563,178	105,051	53,071	4,721,300
Special	2,014,403	0	619,156	2,633,559
Vocational	54,034	0	0	54,034
Support Services:				
Pupils	775,079	0	0	775,079
Instructional Staff	299,960	154,558	5,400	459,918
Board of Education	17,277	0	0	17,277
Administration	953,214	0	43,215	996,429
Fiscal	338,855	14,004	1,103	353,962
Business	1,221,364	0	0	1,221,364
Operation and Maintenance of Plant	1,118,337	0	64,261	1,182,598
Pupil Transportation	702,658	0	525	703,183
Central	2,520	0	0	2,520
Operation of Non-Instructional Services	7,121	0	502,866	509,987
Extracurricular Activities	262,630	0	165,806	428,436
Capital Outlay	0	493,097	0	493,097
Debt Service:				
Principal Retirement	31,000	0	0	31,000
Interest and Fiscal Charges	13,553	0	0	13,553
Total Expenditures	12,375,183	766,710	1,455,403	14,597,296
Net Change in Fund Balances	(624,314)	(94,874)	(68,008)	(787,196)
Fund Balance (Deficit) Beginning of Year	(71,545)	297,479	132,154	358,088
Fund Balance (Deficit) End of Year	($695,859)	$202,605	$64,146	($429,108)

See accompanying notes to the basic financial statements

East Palestine City School District
Columbiana County, Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		($787,196)
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Outlay	330,106	
Current Year Depreciation	(684,024)	
Total		(353,918)
The net effect of various transactions involving capital assets (i.e.; disposals and sales) is a decrease in net position.		
Assets Disposed	(686,300)	
Accumulated Depreciation on Disposals	602,203	
Total		(84,097)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes		(10,664)
Repayment of long-term note and lease principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.		31,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Interest on Leases		75
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	850,021	
OPEB	21,625	
Total		871,646
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	3,859,296	
OPEB	405,428	
Total		4,264,724
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		18,646
Change in Net Position of Governmental Activities		$3,950,216

See accompanying notes to the basic financial statements

East Palestine City School District
Columbiana County, Ohio

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Property Taxes	$2,401,000	$2,401,000	$2,331,648	($69,352)
Tuition and Fees	355,000	355,000	275,490	(79,510)
Charges for Services	168,000	168,000	162,352	(5,648)
Rentals	23,600	23,600	33,542	9,942
Contributions and Donations	15,687	15,687	19,048	3,361
Intergovernmental	8,641,713	8,641,713	8,682,698	40,985
Miscellaneous	310,000	310,000	107,898	(202,102)
Total Revenues	11,915,000	11,915,000	11,612,676	(302,324)
Expenditures				
Current:				
Instruction:				
Regular	5,108,420	5,108,420	4,581,502	526,918
Special	1,643,595	1,643,595	1,990,137	(346,542)
Vocational	47,775	47,775	53,193	(5,418)
Support Services:				
Pupils	898,126	898,126	771,484	126,642
Instructional Staff	290,583	290,583	308,730	(18,147)
Board of Education	27,357	27,357	17,384	9,973
Administration	965,170	965,170	915,335	49,835
Fiscal	385,561	385,561	342,369	43,192
Business	1,171,000	1,171,000	1,229,870	(58,870)
Operation and Maintenance of Plant	1,262,061	1,262,061	1,127,133	134,928
Pupil Transportation	717,302	717,302	698,698	18,604
Central	5,000	5,000	0	5,000
Operation of Non-Instructional Services	7,000	7,000	4,321	2,679
Extracurricular Activities	206,230	206,230	210,625	(4,395)
Debt Service:				
Principal Retirement	31,000	31,000	31,000	0
Interest and Fiscal Charges	15,500	15,500	13,553	1,947
Total Expenditures	12,781,680	12,781,680	12,295,334	486,346
Excess of Revenues Over (Under) Expenditures	(866,680)	(866,680)	(682,658)	184,022
Other Financing Sources (Uses)				
Refund of Prior Year Expenditure	50,000	50,000	73,609	23,609
Advances In	50,000	50,000	0	(50,000)
Advances Out	(50,000)	(50,000)	(20,371)	29,629
Transfers Out	(90,000)	(90,000)	0	90,000
Total Other Financing Sources (Uses)	(40,000)	(40,000)	53,238	93,238
Net Change in Fund Balance	(906,680)	(906,680)	(629,420)	277,260
Fund Balance Beginning of Year	802,825	802,825	802,825	0
Prior Year Encumbrances Appropriated	111,680	111,680	111,680	0
Fund Balance (Deficit) End of Year	$7,825	$7,825	$285,085	$277,260

See accompanying notes to the basic financial statements

East Palestine City School District
Columbiana County, Ohio

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets		
Cash and Cash Equivalents in Segregated Accounts	$0	$44,846
Investments in Segregated Accounts	114,874	0
Total Assets	114,874	$44,846
Liabilities		
Due to Students	0	$44,846
Net Position		
Held in Trust for Scholarships	$114,874	

See accompanying notes to the basic financial statements

East Palestine City School District

Columbiana County, Ohio

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
	Scholarship
Additions	
Interest	$135
Miscellaneous	5,935
Total Additions	6,070
Deductions	
Payments in Accordance with Trust Agreements	2,717
Change in Net Position	3,353
Net Position Beginning of Year	111,521
Net Position End of Year	$114,874

See accompanying notes to the basic financial statements

Note 1 - Description of the District

The East Palestine City School District (the "District") was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District.

Reporting Entity

The reporting entity is required to be comprised of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements of the District are not misleading. The primary government 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; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provides financial support to the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The District is involved with the Area Cooperative Computerized Educational Service System (ACCESS) and Columbiana County Career Center, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 19. The East Palestine Public Library and the East Palestine City School District Education Foundation are related organizations of the District, which is presented in Note 18 to the basic financial statements. The District is also involved with the Portage Area School Consortium Health and Welfare Insurance Pool, a shared risk pool, which is presented in Note 17.

Management believes the basic financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

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.

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements 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.

The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limitations. 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 School 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 financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

> ***General Fund*** The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Permanent Improvement Fund*** The permanent improvement fund accounts for all transactions relating to the acquiring, constructing or improving of permanent improvements.

The other governmental funds of the District account for grants and other resources, and capital projects of the District, whose uses are restricted, committed or assigned to a particular purpose.

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

C. Measurement Focus

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

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

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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 statements for the fiduciary funds 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 bases of accounting arise in the recognition of revenue, the recording of deferred inflows, deferred outflows, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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 include pension and OPEB related amounts reported in the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB are explained in Notes 13 and 14.

In addition to liabilities, the statements of net position and balance sheets 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, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the 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 and intergovernmental grants. 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 and OPEB are reported on the government-wide of statement of net position (see Notes 13 and 14).

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

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

E. Cash and Investments

To improve cash management, all cash received by the District is pooled. Monies for all funds (except for cash and investments in segregated accounts) are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the balance sheet.

The School District did not have any investments during the fiscal year ending June 30, 2018.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Investment earnings credited to the general fund during fiscal year 2018 amounted to zero, which includes a negative $2,488 assigned from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as “equity in pooled cash and investments.” Investments with an original maturity of more than three months that are not made from the pool are reported as “investments.”

F. Capital Assets

General capital assets are those assets that 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 $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land Improvements	20 years
Buildings and Building Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years

G. Interfund Balances

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

H. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

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

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

I. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from internal service funds are reported on the proprietary fund 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Capital leases are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

J. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

K. Fund Balance

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

> ***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans 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*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.
>
> ***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
>
> ***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 Board of Education, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

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

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

L. Interfund Activity

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

M. 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. Neither type of transaction occurred during fiscal 2018.

N. Estimates

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

O. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures 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. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels 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 and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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 fiscal year.

P. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

Note 3 – Change in Accounting Principle & Restatement of Prior Year Net Position

A. Change in Accounting Principles

For fiscal year 2018, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", Statement No. 81, "Irrevocable Split-Interest Agreements", Statement No. 85, "Omnibus 2017", and GASB Statement No. 86, "Certain Debt Extinguishment Issues".

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The implementation of GASB Statement 75 resulted in an overall restatement of beginning net position, as previously reported (see below).

GASB Statement No. 81 aims to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts-or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements-in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB). The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 aims to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District incorporated the corresponding GASB 86 guidance into their fiscal year 2018 financial statements; however, there was no effect on beginning net position or fund balance.

B. Restatement of Prior Year Net Position

	Governmental Activities
Net Position at June 30, 2017, as Previously Reported	$5,328,668
Adjustments:	
Net Other Postemployment Benefit (OPEB) Liability	(3,258,518)
Deferred Outflow - District's Contributions Made Subsequent to Measurement Date	21,693
Restated Net Position at June 30, 2017	$2,091,843

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

Note 4 - Budgetary Basis of Accounting

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

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

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

3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balances (GAAP).

4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

5. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. These include the adult education and public school support special revenue funds.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	($624,314)
Net Adjustment for Revenue Accruals	(72,713)
Net Adjustment for Expenditure Accruals	171,253
Advance Out	(20,371)
Net Adjustment for Funds Budgeted as Special Revenue	8,129
Adjustment for Encumbrances	(91,404)
Budget Basis	($629,420)

Note 5 – Fund Deficits

Fund balances at June 30, 2018 included the following individual fund deficits:

Major Governmental Fund:	Deficit
General Fund	$695,859
Nonmajor Governmental Funds:	
High School at Work	$721
IDEA Part B	74,114
Title I	66,435
Improving Teacher Quality	42,991

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

Note 6 - Deposits and Investments

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

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

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

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

Interim monies held by the District can 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 payment of 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, 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 securities listed above;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;

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

8. Commercial paper and bankers acceptances if training requirements have been met.

Protection of 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.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

Custodial Credit Risk Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. 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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

At June 30, 2018, the carrying value amount of all the District's deposits was $1,005,723. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2018, $441,740 of the District's bank balance of $1,030,823 was exposed to custodial risk as described below, meaning $589,083 was covered by the Federal Deposit Insurance Corporation (FDIC).

B. Cash in Segregated Accounts

The District places certain funds in separate bank accounts such as: food service, principal funds and student activities. These are part of the deposit pool, but are held in separate bank accounts.

C. Reconciliation of Cash and Investments to the Statements of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Position as of June 30, 2018:

Cash and Investments per Note Disclosure		Cash and Investments per Statement of Net Position	
Carrying amount of deposits	$1,005,723	Governmental activities	$846,003
Investments	0	Private-purpose trust funds	114,874
Cash on hand	0	Agency funds	44,846
Total	$1,005,723		$1,005,723

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenue received in calendar 2018 represent collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Columbiana 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, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2018 was $83,160 in the general fund, $20,648 in the permanent improvement capital projects fund and $1,625 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2017 was $76,035 in the general fund, $18,926 in the permanent improvement capital projects fund and $1,483 in the classroom facilities maintenance special revenue fund.

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

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

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$105,498,780	81.18 %	$106,033,610	81.41 %
Commercial Industrial	14,908,460	11.47	14,016,980	10.76
Public Utility	9,546,680	7.35	10,203,310	7.83
Total	$129,953,920	100.00 %	$130,253,900	100.00 %
Tax rate per $1,000 of assessed valuation	$26.80		$26.80	

Note 8 - Receivables

Receivables at June 30, 2018, consisted of taxes and accounts (rent, student fees and tuition). 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 fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental Activities:	
Property Taxes	$3,007,055
Accounts Receivable	25,834
Total Receivables	$3,032,889

Note 9 - Capital Assets

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

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18
Governmental Activities:				
Capital assets not being depreciated:				
Land	$475,814	$0	$0	$475,814
Construction in progress	0	202,788	0	202,788
Total capital assets not being depreciated	475,814	202,788	0	678,602
Capital assets being depreciated:				
Land Improvements	3,598,103	0	0	3,598,103
Buildings and Building Improvements	26,753,268	108,399	0	26,861,667
Furniture and Equipment	854,500	18,919	(271,716)	601,703
Vehicles	1,059,536	0	(414,584)	644,952
Total capital assets being depreciated	32,265,407	127,318	(686,300)	31,706,425
Accumulated depreciation:				
Land Improvements	(1,631,067)	(2,663)	0	(1,633,730)
Buildings and Building Improvements	(10,201,897)	(588,635)	0	(10,790,532)
Furniture and Equipment	(679,793)	(19,278)	187,619	(511,452)
Vehicles	(752,744)	(73,448)	414,584	(411,608)
Total accumulated depreciation	(13,265,501)	(684,024) *	602,203	(13,347,322)
Capital assets being depreciated, net	18,999,906	(556,706)	(84,097)	18,359,103
Governmental activities capital assets, net	$19,475,720	($353,918)	($84,097)	$19,037,705

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$366,668
Support Services:	
Instructional Staff	3,323
Board of Education	324
Operation and Maintenance of Plant	7,087
Pupil Transportation	76,336
Operation of Non-Instructional Services	4,872
Extracurricular	225,414
Total Depreciation Expense	$684,024

Note 10 – 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:

Fund Balances	General	Permanent Improvement	Nonmajor Governmental	Total
Restricted for				
Capital Projects	$0	$202,605	$67,056	$269,661
Classroom Facilities Maintenance	0	0	6,568	6,568
Food Service Operations	0	0	98,381	98,381
Extracurricular Activities	0	0	52,143	52,143
Other Purposes	0	0	24,259	24,259
Total Restricted	0	202,605	248,407	451,012
Unassigned (Deficit)	(695,859)	0	(184,261)	(841,073)
Total Fund Balances (Deficit)	($695,859)	$202,605	$64,146	($390,061)

Note 11 – Long-Term Obligations

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

	(Restated) Balance at 06/30/17	Increases	Decreases	Balance at 06/30/18	Due in One Year
Long Term Obligations:					
Energy Conservation Note	$482,840	$0	($31,000)	$451,840	32,000
Compensated absences	452,649	38,596	(57,242)	434,003	66,360
Total Before Net Pension & OPEB Liability	935,489	38,596	(88,242)	885,843	98,360
Net Pension Liability:					
STRS	13,718,299	0	(4,158,527)	9,559,772	0
SERS	2,851,425	0	(573,032)	2,278,393	0
Total Net Pension Liability	16,569,724	0	(4,731,559)	11,838,165	0
Net OPEB Liability:					
STRS	2,152,198	0	(582,071)	1,570,127	0
SERS	1,106,320	0	(64,676)	1,041,644	0
Total Net OPEB Liability	3,258,518	0	(646,747)	2,611,771	0
Total Long-Term Obligations	$20,763,731	$38,596	($5,466,548)	$15,335,779	$98,360

The House Bill 264 Energy Conservation Note was issued for $541,840 at an interest rate of 2.90 percent and will mature on December 1, 2029. The proceeds were used to make various energy improvements to District facilities.

Compensated absences will be paid from the general fund and district managed activity special revenue fund.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 13 and 14.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District.

In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2018 are a legal voted debt margin of $11,271,011, a legal unvoted debt margin of $130,254, and a legal energy conservation debt margin of $720,445.

Principal requirements to retire general obligation debt outstanding at June 30, 2018, are as follows:

Fiscal Year Ending	Energy Conservation Note		
June 30,	Principal	Interest	Total
2019	$32,000	$12,640	$44,640
2020	33,000	11,696	44,696
2021	34,000	10,725	44,725
2022	35,000	9,725	44,725
2023	36,000	8,696	44,696
2024 - 2028	195,000	27,020	222,020
2029 - 2030	86,840	2,559	89,399
Total	$451,840	$83,061	$534,901

Note 12 – Defined Benefits Pension Plans

A. Net Pension Liability

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

The net pension liability represents the 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 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. A 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.

B. School Employees Retirement System

Plan Description - District non-teaching employees participate in the School Employees Retirement System (SERS), a statewide, cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. 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 on SERS' website at www.ohsers.org, under *Employers/Audit Resources*.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the 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 fiscal year ending June 30, 2018, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution was allocated to the Health Care Fund for fiscal year 2018. The District's contractually required contribution to SERS was $192,869 for the fiscal year ended June 30, 2018. Of this amount $115,392 was reported as an intergovernmental payable.

C. State Teachers Retirement System

Plan Description - District licensed teachers and other faculty members participate in the State Teachers Retirement System of Ohio (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.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018 and subsequent years, the employer rate was 14 percent and the member rate was 14 percent of covered payroll.

The District's contractually required contribution to STRS was $657,152 for the fiscal year ended June 30, 2018. Of this amount $107,488 was reported as an intergovernmental payable.

D. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Districts proportion of the net pension liability was based on the Districts 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:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.03895880%	0.04098316%	
Proportion of the Net Pension Liability Current Measurement Date	0.03813350%	0.04024284%	
Change in Proportionate Share	-0.00082530%	-0.00074032%	
Proportionate Share of the Net Pension Liability	$2,278,392	$9,559,773	$11,838,165
Pension Expense	($112,349)	($3,746,947)	($3,859,296)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$98,055	$369,153	$467,208
Change of Assumptions	117,818	2,090,827	2,208,645
Change in Proportionate Share	16,599	43,923	60,522
District contributions subsequent to the measurement date	192,869	657,152	850,021
Total Deferred Outflows of Resources	$425,341	$3,161,055	$3,586,396
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$77,048	$77,048
Net difference between projected and actual earnings on pension plan investments	10,813	315,483	326,296
Change in Proportionate Share	88,768	261,884	350,652
Total Deferred Inflows of Resources	$99,581	$654,415	$753,996

$850,021 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$60,431	$379,402	$439,833
2020	102,727	808,573	911,300
2021	22,846	537,952	560,798
2022	(53,113)	123,561	70,448
Total	$132,891	$1,849,488	$1,982,379

Actuarial Assumptions - SERS

SERS' total pension liability is determined by SERS' 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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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, June 30, 2017, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 Year Period Ended June 30, 2015
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
COLA or Ad hoc COLA	2.50 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
Wage Inflation	3.00 Percent

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

The most recent experience study was completed June 30, 2015.

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the Net Pension Liability	$3,161,817	$2,278,392	$1,538,344

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary Increases	12.50 Percent at Age 20 to 2.50 Percent at Age 65
Investment Rate of Return	7.45 Percent, Net of Investment Expenses, Including Inflation
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 Percent, Effective July 1, 2017

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

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Fixed Income	21.00	3.00
Alternatives	17.00	7.09
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.45 %

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

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

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's Proportionate Share of the Net Pension Liability	$13,703,609	$9,559,773	$6,069,212

Assumption Changes Since the Prior Measurement Date The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Benefit Term Changes Since the Prior Measurement Date Effective July 1, 2017, the COLA was reduced to zero.

E. Social Security System

Effective, July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2018, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

Note 13 – Defined Benefit Other Postemployment Benefit (OPEB) Plans

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. The net OPEB liability has been disclosed below.

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $21,625 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Current Measurement Date	0.03881320%	4.02428400%	
Proportionate Share of the Net OPEB Liability	$1,041,644	$1,570,127	$2,611,771
OPEB Expense	$73,691	($479,119)	($405,428)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$90,638	$90,638
District contributions subsequent to the measurement date	21,625	0	21,625
Total Deferred Outflows of Resources	$21,625	$90,638	$112,263
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$2,750	$67,111	69,861
Change of Assumptions	98,847	126,478	225,325
Change in Proportionate Share	15,083	0	15,083
Total Deferred Inflows of Resources	$116,680	$193,589	$310,269

$21,625 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$41,967	$22,752	$64,719
2020	41,967	22,752	64,719
2021	32,060	22,752	54,812
2022	686	22,752	23,438
2023	0	5,972	5,972
Thereafter	0	5,971	5,971
Total	$116,680	$102,951	$219,631

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

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

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

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

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

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

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	$1,257,918	$1,041,644	$870,300

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	$845,216	$1,041,644	$1,301,620

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	$2,107,870	$1,570,127	$1,145,134

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$1,090,857	$1,570,127	$2,200,903

Note 14 – Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 260 days for all employees. Upon retirement, certificated employees receive payment for 25 percent of 144 accrued sick leave days plus 10 percent of all sick days accrued above and beyond the first 144 days up to the maximum accumulation. Classified employees receive payment for 25 percent of 135 accrued sick leave days plus 10 percent of all sick days accrued above and beyond the first 135 days up to the maximum accumulation.

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to contracted employees through Safeco, Inc.

Note 15 – Statutory Reserves

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 acquisitions. Disclosure of this information is required by State statute.

	Capital Improvements
Set-Aside Balance as of June 30, 2017	$0
Current Year Set-Aside Requirement	193,183
Current Year Offsets	(722,840)
Total	($529,657)
Set-Aside Balance Carried Forward to Future Fiscal Years	$0
Cash balance as of June 30, 2018	$0

Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 16 - Risk Management

A. General Insurance

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. During fiscal year 2018, the District has property and liability coverage as follows:

Coverage	Amount	Deductible
Building/Contents Property	$54,434,682	$10,000
Boiler and Machinery	5,000,000	500
Crime Insurance	25,000	500
Automobile Liability	1,000,000	0
Uninsured Motorists	1,000,000	0
General Liability	1,000,000	0
Education Liability:		
Per occurrence	1,000,000	0
Total per year	2,000,000	0
School Board Errors and Omissions	1,000,000	0
Umbrella	3,000,000	0

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

B. Fidelity Bond

The Treasurer is covered under a surety bond in the amount of $25,000.

C. Workers' Compensation

The District pays the State Workers' Compensation system, an insurance purchasing pool, a premium based on a rate per $100 of salaries. The District is a member of the Comp Management, Inc. Group Rating Program, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

D. Employee Health Insurance

On July 1, 2010, the District joined the Portage Area School Consortium Health and Welfare Insurance Pool (the Consortium), a shared risk pool, through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating School Districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the District were to withdraw from the pool. If the reserve would not cover such claims, the District would be liable for any costs above the reserve.

Note 17 – Related Organizations

The East Palestine Public Library (the "Library") is a related organization to the District. The school board members are responsible for appointing all the trustees of East Palestine Public Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during the fiscal year 2018.

The East Palestine City School District Education Foundation is also associated with the District. The Foundation was formed in April of 2002 and is operated exclusively for charitable and educational purposes, for the purpose of making scholarships and improvements to the District. The Foundation is a tax exempt trust as determined by 501(C)(3) of the Internal Revenue Code. The Foundation operates under an eleven member Board, consisting of the Superintendent and Treasurer of the District as non-voting members, and nine persons residing or doing business within the District. Financial information on the Foundation can be obtained by contacting Rick Ellis, Treasurer, East Palestine School District, 200 West North Avenue, East Palestine, Ohio 44413.

Note 18 – Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System/ACCESS Assembly

The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of participating school districts in Mahoning and Columbiana Counties, educational service centers, non-public schools and Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The District paid a monthly fee to ACCESS during fiscal year 2018. Financial information can be obtained by contacting the Treasurer, Brian Stidham, at 7320 North Palmyra Road, Canfield, Ohio, 44406.

B. Columbiana County Career Center

The Career Center, a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no measurable equity interest exists.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

Note 19 - Contingencies

A. 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 agreement 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, 2018.

B. Litigation

The District is not currently party any claims or legal proceedings that would, in the District's opinion, have a material effect on the basic financial statements.

C. Encumbrance Commitments

Outstanding encumbrances for governmental funds include $91,404 in the general fund, $153,624 in the permanent improvement fund and $10,479 in the non-major governmental funds.

D. School District Foundation

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

Note 20 - Interfund Balances

The interfund receivable/payable balances consisted of the following at June 30, 2018, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	$107,017	$0
Non-major Governmental Funds:		
High Schools at Work	0	5,000
IDEA Part B	0	39,054
Title I	0	18,317
Improving Teacher Quality	0	39,000
Miscellaneous Federal Grants	0	5,646
Total	$107,017	$107,017

The primary purpose of interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid in fiscal year 2019 once the anticipated revenue is received.

Note 21 – Tax Abatements

As of June 30, 2018, the District provides tax abatements through an Enterprise Zone (Ezone). This program relates to the abatement of property taxes.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investments. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the City. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of tax abated was not significant for the District.

East Palestine City School District
Columbiana County, Ohio

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.03813350%	0.03895880%	0.04094570%	0.03974700%	0.03974700%
School District's Proportionate Share of the Net Pension Liability	$2,278,392	$2,851,425	$2,336,401	$2,011,574	$2,363,627
School District's Employee Payroll	$1,377,636	$1,289,564	$1,747,208	$1,161,522	$1,236,019
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	165.38%	221.12%	133.72%	173.18%	191.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.
See notes to Required Supplementary Information.

East Palestine City School District
Columbiana County, Ohio

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.040242840%	0.040983160%	0.041500870%	0.040935820%	0.040935820%
School District's Proportionate Share of the Net Pension Liability	$9,559,773	$13,718,299	$11,469,627	$9,957,008	$11,860,723
School District's Employee Payroll	$4,693,943	$4,312,214	$4,021,143	$4,749,946	$4,605,946
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	203.66%	318.13%	285.23%	209.62%	257.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.
See notes to Required Supplementary Information.

East Palestine City School District
Columbiana County, Ohio

Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	2018	2017	2016	2015
Contractually Required Pension Contribution	$192,869	$173,072	$180,539	$230,282
Pension Contributions in Relation to the Contractually Required Contribution	($192,869)	($173,072)	($180,539)	($230,282)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Employee Payroll	$1,377,636	$1,236,229	$1,289,564	$1,747,208
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	13.18%

2014	2013	2012	2011	2010	2009
$168,710	$171,065	$158,576	$161,318	$212,850	$124,571
($168,710)	($171,065)	($158,576)	($161,318)	($212,850)	($124,571)
$0	$0	$0	$0	$0	$0
$1,217,244	$1,236,019	$1,179,004	$1,283,357	$1,572,009	$1,265,965
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

East Palestine City School District
Columbiana County, Ohio

Required Supplementary Information
Schedule of School District Pension Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years

	2018	2017	2016	2015
Contractually Required Pension Contribution	$657,152	$619,389	$603,710	$562,960
Pension Contributions in Relation to the Contractually Required Contribution	($657,152)	($619,389)	($603,710)	($562,960)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Employee Payroll	$4,693,943	$4,424,207	$4,312,214	$4,021,143
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

2014	2013	2012	2011	2010	2009
$565,248	$598,773	$540,299	$541,495	$614,209	$635,982
($565,248)	($598,773)	($540,299)	($541,495)	($614,209)	($635,982)
$0	$0	$0	$0	$0	$0
$4,348,062	$4,605,946	$4,156,146	$4,165,346	$4,724,685	$4,892,169
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

East Palestine City School District
Columbiana County, Ohio

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.03881320%	0.03881320%
School District's Proportionate Share of the Net OPEB Liability	$1,041,644	$1,106,320
School District's Employee Payroll	$1,377,636	$1,289,564
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Employee Payroll	75.61%	85.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

East Palestine City School District
Columbiana County, Ohio

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

	2018	2017
School District's Proportion of the Net OPEB Liability	0.040242840%	0.040242840%
School District's Proportionate Share of the Net OPEB Liability	$1,570,127	$2,152,198
School District's Employee Payroll	$4,693,943	$4,312,214
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Employee Payroll	33.45%	49.91%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

East Palestine City School District
Columbiana County, Ohio

Required Supplementary Information
Schedule of School District OPEB Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	2018	2017	2016	2015
Contractually Required OPEB Contribution	$21,625	$21,693	$20,497	$21,883
OPEB Contributions in Relation to the Contractually Required Contribution	($21,625)	($21,693)	($20,497)	($21,883)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Employee Payroll	$1,377,636	$1,236,229	$1,289,564	$1,747,208
Contributions as a Percentage of Employee Payroll	1.57%	1.75%	1.59%	1.25%

2014	2013	2012	2011	2010	2009
$21,123	$21,685	$16,387	$48,594	$38,999	$91,443
($21,123)	($21,685)	($16,387)	($48,594)	($38,999)	($91,443)
$0	$0	$0	$0	$0	$0
$1,217,244	$1,236,019	$1,179,004	$1,283,357	$1,572,009	$1,265,965
1.74%	1.75%	1.39%	3.79%	2.48%	7.22%

East Palestine City School District
Columbiana County, Ohio

Required Supplementary Information
Schedule of School District OPEB Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years

	2018	2017	2016	2015
Contractually Required OPEB Contribution	$0	$0	$0	$0
OPEB Contributions in Relation to the Contractually Required Contribution	$0	$0	$0	$0
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Employee Payroll	$4,693,943	$4,424,207	$4,312,214	$4,021,143
Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%

2014	2013	2012	2011	2010	2009
$43,841	$46,059	$41,561	$41,653	$47,247	$48,922
($43,841)	($46,059)	($41,561)	($41,653)	($47,247)	($48,922)
$0	$0	$0	$0	$0	$0
$4,348,062	$4,605,946	$4,156,146	$4,165,346	$4,724,685	$4,892,169
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Changes in benefit terms: For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017.

Changes in assumptions: For fiscal year 2018, the flowing were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

a) Inflation assumptions were lowered from 2.75% to 2.5%.
b) Investment return assumptions were lowered from 7.75% to 7.45%.
c) Total salary increase rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation.
d) Payroll growth assumptions were lowered to 3%.
e) Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016; and
f) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Changes in benefit terms: For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

a) The cost-of-living adjustment was changed from a fixed 3% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

Changes in assumptions: There were no changes in assumptions since the prior measurement date.

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Changes in benefit terms: For fiscal year 2018, the following changes in benefit terms occurred:

a) The HealthSpan HMO plans were eliminated.
b) The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9% per year of service from 2.1%.
c) Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
d) The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

Changes in assumptions: For fiscal year 2018, the flowing were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

a) The discount rate was increased from 3.26% to 4.13% based on methodology defined under GASB 74.
b) The long-term rate of return was reduced to 7.45%.
c) Valuation-year per capita health costs were updated.
d) The percentage of future retirees electing each option was updated based on current data,
e) The assumed future trend rates were modified.
f) Decrement rates including mortality, disability, retirement, and withdrawal were modified.
g) The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84% to 64%, and the assumed percentage of terminated vested participant assumed to elect health coverage at retirement was decreased from 47% to 30%.
h) The assumed salary scale was modified.

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Changes in benefit terms: There were no changes in benefit terms since the prior measurement date:

e) The cost-of-living adjustment was changed from a fixed 3% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

Changes in assumptions: For fiscal year 2018, the most significant change of assumptions that affected the total OPEB liability since the prior measurement date was that the discount rate was increased from 2.98% to 3.63%.

EAST PALESTINE CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/ *Pass Through Grantor /* Program Title	Grant Year	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through The Ohio Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)	N/A	10.555	$ 21,763
National School Lunch Program	N/A	10.555	264,062
			285,825
National School Breakfast Program	N/A	10.553	68,115
Total Child Nutrition Cluster			353,940
Total – U.S. Department of Agriculture			353,940
U.S. DEPARTMENT OF EDUCATION			
Passed Through The Ohio Department of Education:			
Title I Grants to Local Educational Agencies	2018	84.010	223,845
Title I Grants to Local Educational Agencies	2017	84.010	57,107
Total Title I Grants to Local Educational Agencies			280,952
Special Education Cluster:			
Special Education Grants to States	2018	84.027	289,068
Special Education Grants to States	2017	84.027	9,174
Total Special Education Cluster			298,242
Title VI-B Rural and Low-Income	2018	84.358	16,215
Title II-A Supporting Effective Instruction State Grants	2018	84.367	47,285
Title II-A Supporting Effective Instruction State Grants	2017	84.367	10,793
Total Title II-A Supporting Effective Instruction State Grants			58,078
Total – U.S. Department of Education			653,487
Total Federal Financial Assistance			$ 1,007,427

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – CHILD NUTRITION CLUSTER

The District comingles 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 D – FOOD DONATION PROGRAM

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

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

January 18, 2019

East Palestine City School District
Columbiana County
200 West North Avenue
East Palestine, Ohio 44413

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 **East Palestine City School District**, Columbiana County (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2019, where in we noted the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as item 2018-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 18, 2019.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Perry & Associates CPA's A.C.

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Marietta, Ohio

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

January 18, 2019

East Palestine City School District
Columbiana County
200 West North Avenue
East Palestine, Ohio 44413

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Special Education Grants

As described in the accompanying schedule of audit findings and questions costs, the District did not comply with requirements regarding CFDA 84.027 Special Education Grants as described in Finding 2018-002 for Allowable Costs and Finding 2018-003 for Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Special Education Grants

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Grants* paragraph, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Grants for the year ended June 30, 2018.

Unmodified Opinion on the Other Major Program

In our opinion, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditors' Results* section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The District's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The District's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinions on them.

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 the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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.

Report on Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003.

The District's responses to the internal control over compliance findings we identified are described in the accompanying Corrective Action Plan. We did not audit the District's responses and, accordingly, we express no opinions on them.

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

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

EAST PALESTINE CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Title I – Unmodified Special Education - Qualified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Title 1 Grants to Local Educational Agencies – CFDA #84.010 Special Education Grants to States – CDFA #84.027
(d)(1)(viii)	**Dollar Threshold: Type A/B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

FINDING NUMBER 2018-001

Noncompliance/Material Weakness

Ohio Revised Code Section 5705.10(H) provides that money be paid in to a fund must be used only for the purposes for which such fund was established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. As of June 30, 2018, the General Fund had a negative fund balance of $(656,812).

We recommend the District develop and implement controls while monitoring fund balances and continue efforts to restore the financial health of its funds.

Management's Response – See Corrective Action Plan.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	**2018-002**
CFDA Title and Number	**84.027 – Special Education Grants to States**
Federal Ward Identification Number/Year	**2017 and 2018**
Federal Agency	**U.S. Department of Education**
Compliance Requirement	**Allowable Costs - Time & Effort Certifications**
Pass-Through Entity	**Ohio Department of Education**
Repeat Finding from Prior Audit?	**Yes**

Noncompliance/Material Weakness

Criteria: 2 CFR 200.430 Compensation – personal services states:

(a) *General.* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in §200.431 Compensation—fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	**2018-002 (Continued)**
CFDA Title and Number	**84.027 – Special Education Grants to States**
Federal Ward Identification Number/Year	**2017 and 2018**
Federal Agency	**U.S. Department of Education**
Compliance Requirement	**Allowable Costs - Time & Effort Certifications**
Pass-Through Entity	**Ohio Department of Education**
Repeat Finding from Prior Audit?	**Yes**

Noncompliance/Material Weakness (Continued)

(1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
(2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and
(3) Is determined and supported as provided in paragraph (I) of this section, Standards for Documentation of Personnel Expenses, when applicable.

(I) Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
(ii) Be incorporated into the official records of the non-Federal entity;
(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Context: The District charged $14,773 for payroll costs to the program related to an employee that worked solely on Special Education program that were not supported by semi-annual certifications.

Cause: The District lacked procedures to ensure that all necessary time and effort documentation was maintained.

Effect: Costs of $14,773 were questioned as a result of not maintaining appropriate time and effort documentation.

Recommendation: We recommend the District implement procedures to ensure that all necessary time and effort documentation is prepared and maintained to comply with federal regulations.

Management's Response – See Corrective Action Plan.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	**2018-003**
CFDA Title and Number	**84.027 – Special Education Grants to States**
Federal Ward Identification Number/Year	**2017 and 2018**
Federal Agency	**U.S. Department of Education**
Compliance Requirement	**Reporting – Final Expenditure Report**
Pass-Through Entity	**Ohio Department of Education**
Repeat Finding from Prior Audit?	**No**

Noncompliance/Material Weakness

Criteria: Ohio Department of Education requires a final expenditure report to be submitted for each project immediately after all financial obligations have been liquidated. The report is due no later than 90 days after the end of the project period. Failure to submit the report in a timely manner may result in a temporary suspension of the flow of federal funds for this grant until the project is closed.

Actual expenditures authorized by the approved project application and charges to the project special cost center are to be reported (report amounts actually expended, not encumbered).

Context: The Final Expenditure Report submitted was not supported by the accounting records and did not include all expenditures compared to the expenditure ledgers.

Cause: The District lacked procedures to ensure the amounts submitted in the Final Expenditure Report were supported by the District's accounting system.

Effect: The Final Expenditure Report does not agree to the District's accounting system.

Recommendation: We recommend the District report to the Ohio Department of Education only those expenditures that can be supported with the District's accounting system.

Management's Response – See Corrective Action Plan.

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EAST PALESTINE CITY SCHOOL DISTRICT

OFFICE OF THE TREASURER

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	District will work with Local Government Services to complete a performance audit & decrease expenditure going forward.	In Process	Rick Ellis, Treasurer
2018-002	Treasurer, Federal Program Director, and employee will sign Time & Effort Certifications at least semi-annually to comply with federal regulations.	Immediately	Rick Ellis, Treasurer
2018-003	Treasurer will submit Final Expenditure Report that can be supported by the District's account system.	Immediately	Rick Ellis, Treasurer

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EAST PALESTINE CITY SCHOOL DISTRICT

OFFICE OF THE TREASURER

SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Allowable Costs – Time & Effort Certifications	Not Corrected	Repeated as Finding 2018-002

OHIO AUDITOR OF STATE
KEITH FABER

EAST PALESTINE CITY SCHOOL DISTRICT

COLUMBIANA 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 28, 2019