



Dave Yost • Auditor of State

**EASTWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	22
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – General Fund.....	24
Statement of Fiduciary Net Position	25
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	26
Statement of Cash Flows – Proprietary Fund	27
Statement of Fiduciary Assets and Liabilities – Agency Fund	28
Notes to the Basic Financial Statements	29
Federal Awards Receipts and Expenditures Schedule.....	57
Notes to the Federal Awards Receipts and Expenditures Schedule	58
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	59
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	61
Schedule of Findings.....	63

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Eastwood Local School District
Wood County
4800 Sugar Ridge Road
Pemberville, Ohio 43450

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Eastwood Local School District, Wood County, Ohio (the District), as of and for the year ended June 30, 2014, 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, the major fund, and the aggregate remaining fund information of Eastwood Local School District, Wood County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this 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 March 2, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 2, 2015

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Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Eastwood Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- General revenues and extraordinary item accounted for \$15,485,370 in revenue or 87.5 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,217,078 or 12.5 percent of total governmental revenues of \$17,702,448.
- The School District had \$17,322,295 in expenses related to governmental activities; only \$2,217,078 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and school foundation) and extraordinary item (insurance recoveries related to a fire) of \$15,485,370 were adequate to provide for these programs, resulting in an increase in net position.
- The only major fund, the general fund had \$14,593,200 in revenues and \$15,207,478 in expenditures. The general fund's fund balance increased \$35,031 from \$9,365,468 to \$9,400,499.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund is the most significant fund.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Reporting the School District as a Whole

Government-wide Financial Statements. The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

Statement of Net Position and the Statement of Activities While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2014?" These statements include all assets, 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 takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the School District's activities are considered to be all Governmental Activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

The government-wide financial statements can be found on pages 18-19 of this report.

Reporting the School District's Most Significant Funds

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

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

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

The School District maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be the major fund. Data from the other nineteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 20-24 of this report.

Proprietary Funds The School District maintains one type of proprietary fund, the internal service fund. The internal service fund is an accounting device used to accumulate and allocate costs internally to the School District's various functions. The School District uses its internal service fund to account for its field trips and other various purposes. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 25-27 of this report.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds.

The fiduciary fund financial statement can be found on page 28 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 29 of this report.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. A comparative analysis is presented below. Table 1 provides a summary of the School District's net position for 2014 and 2013:

Table 1
 Net Position
 Governmental Activities

	<u>2014</u>	<u>2013</u>
Assets:		
Current and other assets	\$ 17,870,003	\$ 15,931,014
Capital assets, net of depreciation	<u>4,736,930</u>	<u>4,618,624</u>
Total assets	<u>22,606,933</u>	<u>20,549,638</u>
Liabilities:		
Current liabilities	1,665,125	1,768,607
Long-term liabilities	<u>4,184,628</u>	<u>4,100,759</u>
Total liabilities	<u>5,849,753</u>	<u>5,869,366</u>
Deferred inflows of resources:		
Property taxes	<u>5,853,277</u>	<u>4,156,522</u>
Net position:		
Net investment in capital assets	1,779,050	1,547,660
Restricted	583,879	589,051
Unrestricted	<u>8,540,974</u>	<u>8,387,039</u>
Total net position	<u>\$ 10,903,903</u>	<u>\$ 10,523,750</u>

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School District's assets exceeded liabilities and deferred inflows of resources by \$10,903,903 which was an overall increase of 3.6% over the prior year. Factors contributing to this increase were an increase in Accounts Receivable and Capital Assets (combined increase of approximately \$558,000), both of which were due to insurance recoveries and replacement of assets from the fire. The most significant increase was Taxes Receivable, which increased nearly \$1.8 million due to a correction of the tax assessment. This also led to an increase in deferred inflows of property taxes, which is reasonable considering the increase in Taxes Receivable between years.

The bulk of the School District's net position, \$8,540,974 reflects its unrestricted net position. The School District uses this unrestricted net position to meet ongoing obligations to the residents and creditors. Net investment in capital assets (e.g., land, building and improvements, furniture, equipment and fixtures, and vehicles) reflect \$1,779,050. The School District uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

An additional portion of the School District's net position, \$583,879 or 5.4 percent, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets; \$290,807 is restricted for debt service payments, \$48,923 is restricted for extracurricular, \$59,840 is restricted for other purposes and \$184,309 is restricted for capital projects. At the end of the current fiscal year, the School District is able to report positive balances in all categories of net position.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows change in net position for fiscal years 2014 and 2013.

Table 2
 Governmental Activities

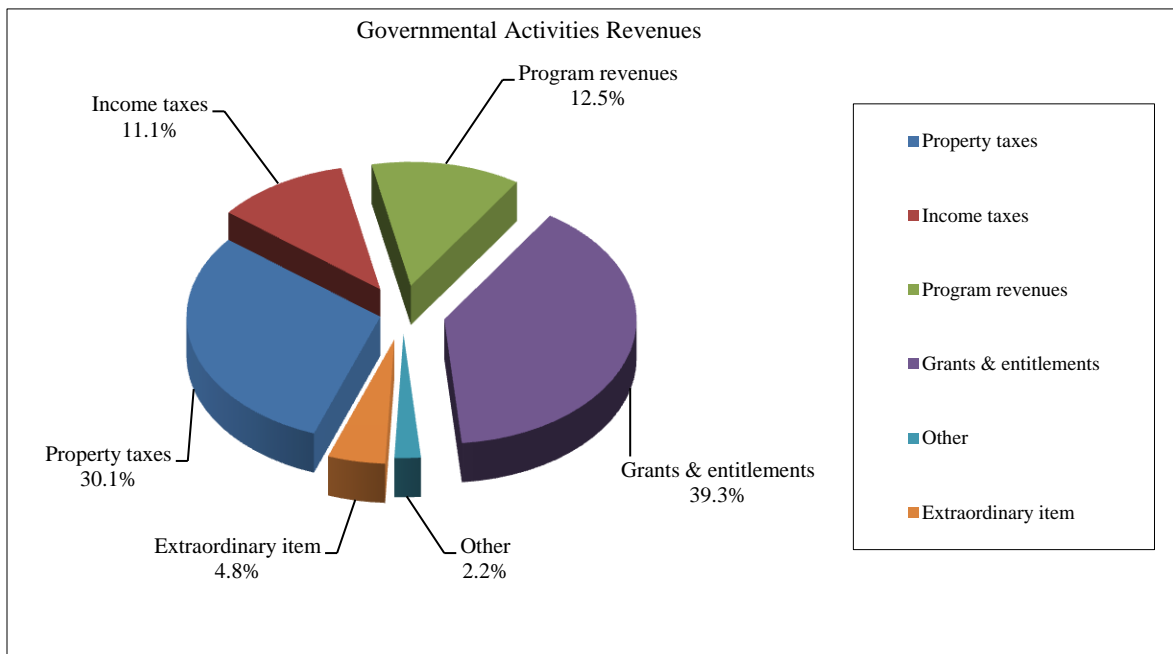
	2014	2013
Revenue:		
Program revenues:		
Charges for services and sales	\$ 1,382,538	\$ 1,219,335
Operating grants and contributions	834,540	808,822
General revenues:		
Property taxes	5,321,591	5,671,274
Income taxes	1,958,302	1,902,605
Grants and entitlements	6,964,479	6,774,376
Payment in lieu of taxes	260,000	480,000
Investment earnings	44,994	47,295
Miscellaneous	82,642	53,872
Extraordinary item	853,362	-
Total revenues and extraordinary item	17,702,448	16,957,579
Expenses:		
Instruction:		
Regular	7,834,976	7,501,298
Special	1,991,705	1,757,358
Vocational	92,749	154,918
Adult continuing	68	68
Support services:		
Pupils	598,619	467,658
Instructional staff	396,256	513,779
Board of education	52,563	33,067
Administration	1,448,597	1,256,272
Fiscal	661,846	548,374
Business	68	68
Operation and maintenance of plant	1,487,406	1,400,474
Pupil transportation	988,564	1,044,142
Central	231,678	1,749
Operation of non-instructional services	632,382	618,824
Extracurricular activities	798,301	663,590
Interest and fiscal charges	106,517	117,246
Total expenses	17,322,295	16,078,885
Changes in net position	380,153	878,694
Beginning net position	10,523,750	9,645,056
Ending net position	\$ 10,903,903	\$ 10,523,750

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Activities - Overall, revenues increased by 4.4 percent in fiscal year 2014. This increase was primarily due to insurance recoveries received related to the fire that destroyed the School District's bus garage and Board of Education offices. These monies are reported as an extraordinary item. The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 30.1 percent of revenues for governmental activities for the School District in fiscal year 2014. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

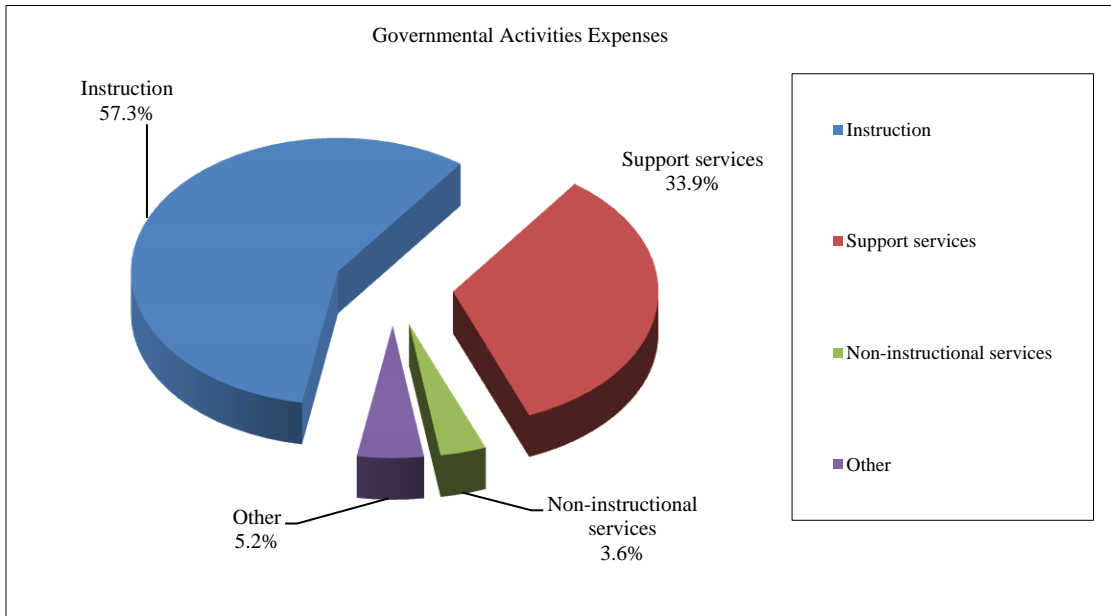
The School District has an income tax which is also a critical revenue used to support operations. For 2014, this revenue amounted to \$1,958,302 or 11.1 percent of total revenues.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service.



Instruction comprises 57.3 percent of governmental program expenses. Additional supporting services for pupils, staff, administration and business operations encompassed an additional 33.9 percent. The remaining 8.8 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited



Program expenses for 2014 increased \$1,243,410 or 7.7 percent from 2013. The overall rise in expenditures over the prior year is primarily attributable to increased compensation and additional costs associated with the replacement of computers, furniture and fixtures that were lost from fire damage. The variances for instruction and support services expenditures are, in part, due to the Ohio Department of Education requiring a change in the accounting of costs associated with specified aides from pupils and instructional staff support services to regular and special instruction for the fiscal year ended June 30, 2014.

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 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
Instruction:				
Regular	\$ 7,834,976	\$ (7,112,764)	\$ 7,501,298	\$ (6,939,889)
Special	1,991,705	(1,518,568)	1,757,358	(1,305,843)
Vocational	92,749	(63,879)	154,918	(131,405)
Adult continuing	68	(68)	68	(68)
Support services:				
Pupils	598,619	(592,432)	467,658	(457,234)
Instructional staff	396,256	(387,310)	513,779	(502,757)
Board of education	52,563	(52,563)	33,067	(33,067)
Administration	1,448,597	(1,441,778)	1,256,272	(1,245,914)
Fiscal	661,846	(655,450)	548,374	(536,374)
Business	68	(68)	68	(68)
Operation and maintenance of plant	1,487,406	(1,466,549)	1,400,474	(1,383,435)
Pupil transportation	988,564	(987,189)	1,044,142	(1,043,792)
Central	231,678	(231,678)	1,749	(1,749)
Operation of non- instructional services	632,382	(14,357)	618,824	18,174
Extracurricular activities	798,301	(474,047)	663,590	(370,061)
Interest and fiscal charges	106,517	(106,517)	117,246	(117,246)
Total expenses	\$ 17,322,295	\$ (15,105,217)	\$ 16,078,885	\$ (14,050,728)

As noted above, the dependence on general revenue is significant. Only non-instructional services and extracurricular activities have a significant portion of related expenses offset by program revenues. Program revenues in the non-instructional program include cafeteria sales and state and federal subsidies and donated commodities for food service operations. Program revenues in the extracurricular activities program include music and athletic fees, ticket sales, and gate receipts.

Financial Analysis of the Governmental Funds

Governmental Funds. Information about the School District's governmental funds starts on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,769,893 and expenditures of \$17,424,205. The total governmental fund balance increased \$41,353. The net change in governmental fund balance for the year was most significant in the general fund, where the fund balance increased \$35,031 for fiscal year 2014.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The general fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,787,531, while total fund balance increased to \$9,400,499. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 57.8 percent of total general fund expenditures, while total fund balance represents 61.8 percent of that same amount. Revenues decreased by \$63,697 from the prior year and total expenditures increased \$1,083,981 (primarily from retirement severance payments); however, insurance recoveries related to the fire (other financing sources) were \$695,665. This led to an overall positive net change in fund balance for fiscal year 2014, ultimately resulting in an overall increase in fund balance.

Table 4 shows fiscal year 2014 balances compared to fiscal year 2013.

Table 4
Fund Balances

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
General	\$ 9,400,499	\$ 9,365,468	\$ 35,031	0.37%
Other governmental	<u>554,102</u>	<u>547,780</u>	<u>6,322</u>	<u>1.15%</u>
Total	<u>\$ 9,954,601</u>	<u>\$ 9,913,248</u>	<u>\$ 41,353</u>	<u>0.42%</u>

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue was \$14,981,483 and the original budget estimate was \$13,718,347. The final budget for revenue was adjusted at year-end just \$53 under the actual revenue. The actual revenue was \$1,263,189 higher than originally anticipated, primarily due to intergovernmental revenues that were not known during the original budgeting process.

The difference between the original budget appropriations and the final amended budget appropriations of the general fund was approximately \$641,209. Most of the increase occurred in instruction, which amounted to \$378,080. There was no difference between the final budget appropriations and the actual expenditures (including encumbrances) of the general fund.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Capital Assets and Debt Administration

Capital Assets. The School District's investment in capital assets for its governmental activities as of June 30, 2014, amount to \$4,736,930 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, equipment and fixtures, and vehicles.

Table 5
 Capital Assets (Net of Depreciation)
 Governmental Activities

	<u>2014</u>	<u>2013</u>
Land	\$ 261,067	\$ 261,067
Construction in progress	-	42,877
Land improvements	5,125	5,125
Buildings and improvements	3,966,868	4,134,451
Furniture, equipment and fixtures	155,412	53,393
Vehicles	348,458	121,711
Total Capital Assets, Net	<u>\$ 4,736,930</u>	<u>\$ 4,618,624</u>

For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

Debt. At June 30, 2014, the School District had \$3,020,422 in notes and bonds (including bond accretion and premium) outstanding with \$270,000 due within one year. The School District's long-term obligations also include compensated absences. Table 6 summarizes the notes and bonds outstanding:

Table 6
 Outstanding Debt, at Fiscal Year End
 Governmental Activities

	<u>2014</u>	<u>2013</u>
High School addition and renovation bonds	\$ -	\$ 181,866
2010 Refunding bonds	2,465,422	2,457,821
Energy conservation notes	555,000	600,000
Total bonds	<u>\$ 3,020,422</u>	<u>\$ 3,239,687</u>

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

At June 30, 2014, the School District's overall legal debt margin was \$15,999,911 with an unvoted debt margin of \$505,319. The School District is rated Aaa by Moody's Investors Service. The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund. See Note 13, to the basic financial statements for details on the School District's debt.

Current Financial Related Activities

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Dave Michel, Treasurer at Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

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Eastwood Local School District

Statement of Net Position

June 30, 2014

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 9,585,009
Inventory held for resale	12,425
Receivables:	
Accounts	445,178
Intergovernmental	78,629
Property taxes	6,937,491
Income taxes	632,830
Accrued interest	6,050
Prepaid items	172,391
Capital assets:	
Nondepreciable capital assets	261,067
Depreciable capital assets	12,256,038
Accumulated depreciation	(7,780,175)
Total capital assets	<u>4,736,930</u>
Total assets	<u>22,606,933</u>
<u>Liabilities:</u>	
Accounts payable	28,173
Accrued wages	1,329,693
Matured compensated absences payable	369
Intergovernmental payable	41,945
Pension obligation payable	254,940
Accrued interest payable	10,005
Long-term liabilities:	
Due within one year	639,105
Due in more than one year	3,545,523
Total liabilities	<u>5,849,753</u>
<u>Deferred inflows of resources:</u>	
Property taxes	<u>5,853,277</u>
<u>Net position:</u>	
Net investment in capital assets	1,779,050
Restricted for:	
Capital projects	184,309
Debt service	290,807
Extracurricular	48,923
Other purposes	59,840
Unrestricted	<u>8,540,974</u>
Total net position	<u>\$ 10,903,903</u>

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 7,834,976	\$ 598,635	\$ 123,577	\$ (7,112,764)
Special	1,991,705	42,566	430,571	(1,518,568)
Vocational	92,749	-	28,870	(63,879)
Adult/continuing	68	-	-	(68)
Support services:				
Pupils	598,619	-	6,187	(592,432)
Instructional staff	396,256	8,491	455	(387,310)
Board of education	52,563	-	-	(52,563)
Administration	1,448,597	-	6,819	(1,441,778)
Fiscal	661,846	-	6,396	(655,450)
Business	68	-	-	(68)
Operation and maintenance of plant	1,487,406	18,000	2,857	(1,466,549)
Pupil transportation	988,564	-	1,375	(987,189)
Central	231,678	-	-	(231,678)
Operation of non-instructional services	632,382	390,592	227,433	(14,357)
Extracurricular activities	798,301	324,254	-	(474,047)
Interest and fiscal charges	106,517	-	-	(106,517)
Total governmental activities	<u>\$ 17,322,295</u>	<u>\$ 1,382,538</u>	<u>\$ 834,540</u>	<u>(15,105,217)</u>

General Revenues:

Property taxes levied for:		
General purposes		4,746,669
Debt service		339,934
Capital outlay		234,988
Income taxes levied for:		
General purposes		1,958,302
Grants and entitlements not restricted to specific programs		6,964,479
Payment in lieu of taxes		260,000
Investment earnings		44,994
Miscellaneous		82,642
Extraordinary item		853,362
Total general revenues and extraordinary item		<u>15,485,370</u>
Change in net position		380,153
Net position beginning of year		10,523,750
Net position end of year		<u>\$ 10,903,903</u>

See accompanying notes to the basic financial statements.

Eastwood Local School District

Balance Sheet

Governmental Funds

June 30, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 9,075,083	\$ 509,666	\$ 9,584,749
Cash and cash equivalents:			
Inventory held for resale	-	12,425	12,425
Receivables:			
Accounts	440,543	4,635	445,178
Intergovernmental	18,912	59,717	78,629
Accrued interest	6,050	-	6,050
Interfund	15,174	-	15,174
Property taxes	6,281,857	655,634	6,937,491
Income taxes	632,830	-	632,830
Prepaid items	164,663	7,728	172,391
Total assets	<u>\$ 16,635,112</u>	<u>\$ 1,249,805</u>	<u>\$ 17,884,917</u>
 <u>Liabilities, deferred inflows of resources and fund balances:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 27,238	\$ 935	\$ 28,173
Accrued wages	1,264,461	65,232	1,329,693
Matured compensated absences payable	369	-	369
Interfund payable	-	15,174	15,174
Intergovernmental payable	41,008	937	41,945
Pension obligation payable	230,182	24,758	254,940
Total liabilities	<u>1,563,258</u>	<u>107,036</u>	<u>1,670,294</u>
 <u>Deferred inflows of resources:</u>			
Property taxes	5,302,546	550,731	5,853,277
Unavailable revenue	304,364	30,730	335,094
Unavailable revenue - delinquent property taxes	64,445	7,206	71,651
Total deferred inflows of resources	<u>5,671,355</u>	<u>588,667</u>	<u>6,260,022</u>
 <u>Fund balances:</u>			
Nonspendable	164,663	7,728	172,391
Restricted	-	590,156	590,156
Assigned	448,305	-	448,305
Unassigned	8,787,531	(43,782)	8,743,749
Total fund balances	<u>9,400,499</u>	<u>554,102</u>	<u>9,954,601</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,635,112</u>	<u>\$ 1,249,805</u>	<u>\$ 17,884,917</u>

See accompanying notes to the basic financial statements.

Eastwood Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total governmental fund balances		\$	9,954,601
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.			4,736,930
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:			
Property taxes		71,651	
Intergovernmental		30,730	
Insurance recoveries		304,364	
		406,745	
An internal service fund is used by management to charge the costs of field trips and various other functions to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.			260
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:			
Refunding general obligation bonds, including premium	\$	(2,372,880)	
Refunding capital appreciation bonds including accreted interest		(92,542)	
Energy conservation notes		(555,000)	
Compensated absences		(1,164,206)	
Accrued interest payable		(10,005)	
Total		(4,194,633)	
Net position of governmental activities		\$	10,903,903

See accompanying notes to the basic financial statements.

Eastwood Local School District
*Statement of Revenues, Expenditures
and Changes in Fund Balances*
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property taxes	\$ 4,749,027	\$ 575,745	\$ 5,324,772
Income taxes	1,958,302	-	1,958,302
Payment in lieu of taxes	260,000	-	260,000
Intergovernmental	6,917,709	877,344	7,795,053
Interest	44,994	8	45,002
Tuition and fees	591,788	12,625	604,413
Extracurricular activities	49,413	320,745	370,158
Gifts and donations	-	259	259
Charges for services	-	389,967	389,967
Rent	18,000	-	18,000
Miscellaneous	3,967	-	3,967
Total revenues	<u>14,593,200</u>	<u>2,176,693</u>	<u>16,769,893</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	7,384,066	130,244	7,514,310
Special	1,543,836	440,930	1,984,766
Vocational	80,271	8,213	88,484
Support services:			
Pupils	580,547	6,187	586,734
Instructional staff	370,466	10,766	381,232
Board of education	52,563	-	52,563
Administration	1,400,070	12,207	1,412,277
Fiscal	632,368	12,612	644,980
Operation and maintenance of plant	1,238,569	238,701	1,477,270
Pupil transportation	900,585	5,414	905,999
Central	210,484	-	210,484
Operation of non-instructional services	-	629,274	629,274
Extracurricular activities	458,778	332,662	791,440
Capital outlay	354,875	63,455	418,330
Debt service:			
Principal retirement	-	235,000	235,000
Interest and fiscal charges	-	91,062	91,062
Total expenditures	<u>15,207,478</u>	<u>2,216,727</u>	<u>17,424,205</u>
Excess of revenues under expenditures	<u>(614,278)</u>	<u>(40,034)</u>	<u>(654,312)</u>
<u>Other financing sources (uses):</u>			
Insurance recoveries	695,665	-	695,665
Transfers in	-	46,356	46,356
Transfers out	(46,356)	-	(46,356)
Total other financing sources (uses)	<u>649,309</u>	<u>46,356</u>	<u>695,665</u>
Net change in fund balances	35,031	6,322	41,353
Fund balances at beginning of year	9,365,468	547,780	9,913,248
Fund balances at end of year	<u>\$ 9,400,499</u>	<u>\$ 554,102</u>	<u>\$ 9,954,601</u>

See accompanying notes to the basic financial statements.

Eastwood Local School District
*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, 2014*

Net change in fund balances - total governmental funds	\$	41,353
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital asset additions	\$ 418,330	
Capital contribution	78,675	
Depreciation expense	(232,032)	
Excess of capital outlay over depreciation expense		264,973
<p>Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal</p>		
		(146,667)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:</p>		
Property taxes	\$ (3,181)	
Intergovernmental	3,699	
Insurance recoveries	304,364	
Net change in deferred inflows of resources during the year		304,882
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These activities consist of:</p>		
Note issues	\$ 45,000	
Capital appreciation bonds	190,000	
Total expenditures		235,000
<p>Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p>		
Increase in compensated absences	\$ (303,134)	
Decrease in accrued interest	280	
Amortization of:		
Premium	14,871	
Bond accretion	(30,606)	
Total additional expenditures		(318,589)
<p>The internal service fund is used by management to charge the costs of field trips and various other functions to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.</p>		
		(799)
Change in net position of governmental activities	\$	380,153

See accompanying notes to the basic financial statements.

Eastwood Local School District
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual - General Fund
 For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Taxes	\$ 4,257,396	\$ 4,649,419	\$ 4,649,419	\$ -
Income taxes	1,807,205	1,973,613	1,973,613	-
Intergovernmental	6,334,433	6,917,709	6,917,709	-
Interest	43,445	47,445	47,445	-
Tuition and fees	500,195	546,253	546,253	-
Rent	16,482	18,000	18,000	-
Payment in lieu of taxes	238,078	260,000	260,000	-
Miscellaneous	521,113	569,044	569,097	53
Total revenues	13,718,347	14,981,483	14,981,536	53
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,036,724	7,345,293	7,345,293	-
Special	1,480,359	1,545,275	1,545,275	-
Vocational	104,785	109,380	109,380	-
Support services:				
Pupils	545,992	569,935	569,935	-
Instructional staff	434,617	453,676	453,676	-
Board of education	50,957	53,192	53,192	-
Administration	1,349,215	1,408,380	1,408,380	-
Fiscal	636,404	664,311	664,311	-
Operation and maintenance of plant	1,199,241	1,251,830	1,251,830	-
Pupil transportation	1,154,684	1,205,319	1,205,319	-
Central	189,910	198,238	198,238	-
Extracurricular activities	439,387	458,655	458,655	-
Total expenditures	14,622,275	15,263,484	15,263,484	-
Excess of revenues under expenditures	(903,928)	(282,001)	(281,948)	53
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	39,653	39,653	39,653	-
Transfers out	(52,385)	(52,385)	(52,385)	-
Total other financing sources (uses)	(12,732)	(12,732)	(12,732)	-
Net change in fund balance	(916,660)	(294,733)	(294,680)	53
Fund balance at beginning of year	9,286,954	9,286,954	9,286,954	-
Prior year encumbrances appropriated	15,975	15,975	15,975	-
Fund balance at end of year	\$ 8,386,269	\$ 9,008,196	\$ 9,008,249	\$ 53

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2014

	Governmental- Activities Internal Service Fund
<u>Assets:</u>	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 260
	260
<u>Liabilities:</u>	
Total liabilities	-
	-
<u>Net position:</u>	
Unrestricted	260
Total liabilities and net position	\$ 260
	260

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Governmental- Activities Internal Service Fund
<u>Operating revenues:</u>	
Other revenues	\$ 25,864
 <u>Operating expenses:</u>	
Other	26,663
 Change in net position	(799)
 Net position beginning of year	1,059
Net position end of year	\$ 260

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Governmental- Activities Internal Service Fund
<u>Cash flows from operating activities:</u>	
Cash received from other operating sources	\$ 25,864
Cash payments for other operating expenses	(26,663)
Net cash used for operating activities	(799)
Net decrease in cash and cash equivalents	(799)
Cash and cash equivalents at beginning of year	1,059
Cash and cash equivalents at end of year	\$ 260
 Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (799)
Net cash used for operating activities	\$ (799)

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 57,325
	<hr/> <hr/>
<u>Liabilities:</u>	
Accounts payable	\$ 10,807
Due to students	46,518
Total liabilities	\$ 57,325
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the School District

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately 27 square miles. It is located in Wood County, and includes the territories of the Villages of Pemberville and Luckey and the Townships of Freedom, Troy, Webster, Middleton, and Perrysburg. It is staffed by 88 non-certificated employees and 104 certificated full-time teaching and support personnel who provide services to 1,550 students and other community members. The School District currently operates 5 instructional buildings, 1 administrative building, and a garage.

The financial statements of the School 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 School District’s accounting policies are described below.

B. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent of the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Based on the above description, there are no component units within the School District.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The School District is associated with the Northern Ohio Educational Computer Association, the Penta County Vocational School and the Ohio Schools Council, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 15.

The School District is associated with an organization which is defined as an insurance rating pool. This organization is the Ohio Association of School Business Officials Worker's Compensation Group Rating Plan. Information regarding this organization is presented in Note 16.

C. Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The effect of interfund activity, within governmental type activities columns has been removed from these statements. However, the services provided and used are not eliminated in the process of consolidation.

The statement of net position presents the financial condition of the governmental activities of the School 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 School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, 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 School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

Fund financial statements report detailed information about the School District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is represented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities and deferred inflows of resources, and the statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

D. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate “fund types.”

Governmental Fund Types:

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities and deferred inflows of resources is reported as fund balance. The following is the School District’s major governmental fund:

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

The other governmental funds of the School District account for grants and other resources of the School District to which the School District is bound to observe constraints imposed upon the use of the resources.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Proprietary Fund Types:

Proprietary fund reporting focuses on the determination of the changes in net position, financial position and cash flows and are classified as internal service.

Internal Service Fund The only internal service fund carried on the financial records is related to field trips and miscellaneous rotary fund.

Fiduciary Fund Types:

Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trusts, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds account for student activities managed by the student body, for monies held in a fiscal agency capacity for SERRC and money temporarily held for Ohio High School Athletic Association (OHSAA) tournaments.

E. Measurement Focus and Basis of Accounting

Measurement Focus:

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred outflows and 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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Basis of Accounting:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position 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. The School District did not have any deferred outflows of resources at year end.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

In addition to liabilities, the statements of net position reports 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 School District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the “Operating Grants, Contributions and Interest” program revenue account. Unused donated commodities are reported in the account “Inventory held for resale” within the basic financial statements.

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

F. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entail the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made of resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers’ comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

By no later than January 20, the Board-adopted budget is filed with the Wood County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the first and final amended certificate issued during fiscal year 2014.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the first and final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as an assigned fund balance for subsequent - year expenditures for governmental funds.

G. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

H. Inventory

On the government-wide financial statements supply inventories are presented at cost on a first-in, first-out basis and is expended/expensed when used.

On fund financial statements, inventories held for resale, are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories consist of donated food, purchased food, school supplies held for resale and expensed when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Bond Premiums

In governmental fund types, bond premiums are recognized in the current period. On the statement of net position, bond premiums are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

K. Capital Assets and Depreciation

General capital assets are those assets resulting from expenditures in governmental funds. These assets are reported in the government 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 dates received. The School District maintains a capitalization threshold of five thousand dollars. The School 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 capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Building and improvements	20 - 50 years
Furniture, equipment and fixtures	5 - 20 years
Vehicles	8 years

L. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a nonreimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

M. Interfund Assets/Liabilities

On the 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 activities' statement of net position.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

N. Compensated Absences

Vacation benefits are accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For the governmental fund financial statements, upon the occurrence of employee resignations and retirements, compensated absences are recognized as liabilities and expenditures to the extent payments come due and payable as of June 30, 2014. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The remaining compensated absences are recorded as long term liabilities on the Statement of Net Position.

O. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

P. Fund Balance

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

Nonspendable 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.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

Q. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 as reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid from them are not presented on the financial statements.

R. Net Position

Net position represents the difference between assets, liabilities and deferred inflows of resources. 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 either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for "other purposes" have external restrictions imposed through state and federal grantors.

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

S. Estimates

The preparation of the 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.

T. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues include amounts for field trips and miscellaneous rotary activity. Operating expenses are necessary costs occurred to provide the good or service that is the primary activity of the fund.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – FUND BALANCES

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

Fund Balances	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>			
Prepays	\$ 164,663	\$ 7,728	\$ 172,391
<u>Restricted for</u>			
Special trusts	-	3,794	3,794
Athletics and music	-	48,923	48,923
Technology	-	1,930	1,930
Food service	-	3,478	3,478
Instructional programs	-	46,537	46,537
Special education	-	379	379
Data communication	-	7,200	7,200
Debt service payments	-	297,285	297,285
Capital improvements	-	180,630	180,630
Total restricted	<u>-</u>	<u>590,156</u>	<u>590,156</u>
<u>Assigned</u>			
Public school support	23,257	-	23,257
Encumbrances	34,718	-	34,718
Next years budget	390,330	-	390,330
Total assigned	<u>448,305</u>	<u>-</u>	<u>448,305</u>
Unassigned (deficit)	<u>8,787,531</u>	<u>(43,782)</u>	<u>8,743,749</u>
Total fund balances	<u>\$ 9,400,499</u>	<u>\$ 554,102</u>	<u>\$ 9,954,601</u>

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of 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 Budget Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

Net Change in Fund Balance

		<u>General</u>
GAAP basis	\$	35,031
Revenue accruals		(166,699)
Expenditure accruals		(123,719)
Budgeted as part of special revenue fund:		
Revenues		(94,948)
Transfers from general fund		(6,029)
Expenditures		102,756
Encumbrances (Budget Basis)		
outstanding at year end		(41,072)
Budget basis	\$	<u>(294,680)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 within five years from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be invested in the following obligations:

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 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.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

All interest is legally required to be placed in the general fund, and other funds as approved by a Board resolution. Interest revenue credited to the general fund during fiscal year 2014 amount to \$44,994, which includes \$2,448 assigned from other School District funds.

A. Cash on hand

At fiscal year-end, the School District had \$1,276 in undeposited cash on hand which is included as part of “equity in pooled cash and cash equivalents.”

B. Deposits

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

As of June 30, the carrying amount of the School District’s deposits was \$9,641,058. The School District’s bank balance of \$9,883,778 was not exposed to custodial credit risk.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used for public utility) located in the School District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The School District receives property taxes from Wood County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 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, 2014 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, 2014, was \$914,866 in the general fund, \$53,983 in the Bond Retirement debt service fund, and \$43,714 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2013, was \$815,258 in the general fund, \$56,440 in the Bond Retirement debt service fund, and \$38,576 in the Permanent Improvement capital projects fund.

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

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

<u>Property Category</u>	<u>2014</u> <u>Assessed Value</u>	<u>2013</u> <u>Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 174,759,650	\$ 174,344,340
Commercial, industrial and minerals	17,543,310	16,697,300
Public utilities	203,910	196,530
<u>Tangible Personal Property</u>		
Public utilities	<u>15,527,000</u>	<u>14,987,010</u>
Total	<u>\$ 208,033,870</u>	<u>\$ 206,225,180</u>

NOTE 6 - RECEIVABLES

Receivables at June 30, 2014, consisted of taxes, accounts (rent, billings for user charged services, and student fees), interfund, interest and intergovernmental receivables for user charged services. 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. The general fund and the nonmajor governmental funds reported intergovernmental receivables in the amount of \$18,912 and \$59,717, respectively.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 7 - INCOME TAXES

The School District levies a voted tax of one percent for general operations on the earned income of residents and of estates. One percent of the tax was effective on January 1, 2012 and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>7/1/2013</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance</u> <u>6/30/2014</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 261,067	\$ -	\$ -	\$ 261,067
Construction in progress	<u>42,877</u>	<u>77,123</u>	<u>(120,000)</u>	<u>-</u>
Total capital assets, not being depreciated:	<u>303,944</u>	<u>77,123</u>	<u>(120,000)</u>	<u>261,067</u>
Capital assets, being depreciated:				
Land improvements	102,500	-	-	102,500
Buildings and improvements	11,102,539	141,250	(275,000)	10,968,789
Furniture, equipment and fixtures	146,610	124,795	(64,691)	206,714
Vehicles	<u>704,198</u>	<u>273,837</u>	<u>-</u>	<u>978,035</u>
Total capital assets, being depreciated	<u>12,055,847</u>	<u>539,882</u>	<u>(339,691)</u>	<u>12,256,038</u>
Less: Accumulated depreciation:				
Land improvements	(97,375)	-	-	(97,375)
Buildings and improvements	(6,968,088)	(162,166)	128,333	(7,001,921)
Furniture, equipment and fixtures	(93,217)	(22,776)	64,691	(51,302)
Vehicles	<u>(582,487)</u>	<u>(47,090)</u>	<u>-</u>	<u>(629,577)</u>
Total accumulated depreciation	<u>(7,741,167)</u>	<u>(232,032)</u>	<u>193,024</u>	<u>(7,780,175)</u>
Total capital assets, being depreciated, net	<u>4,314,680</u>	<u>307,850</u>	<u>(146,667)</u>	<u>4,475,863</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,618,624</u>	<u>\$ 384,973</u>	<u>\$ (266,667)</u>	<u>\$ 4,736,930</u>

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 105,785
Special	2,737
Adult	68
Support services:	
Pupil	3,272
Instructional staff	29,397
Administration	9,351
Business	68
Pupil transportation	72,905
Central	1,739
Extracurricular activities	6,710
Total depreciation expense	\$ 232,032

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property insurance of \$52,706,558, with no deductible and general liability insurance with limits of \$15,000,000 per occurrence, with no deductible. Vehicle liability is insured by SORSA in the amount of \$15,000,000, with no deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

All employees of the School District are covered by a blanket bond, while the Treasurer is covered by a separate individual bond.

The School District pays the State Worker's Compensation System, a premium based on a calculated rate. This rate is calculated based on accident history and administrative costs.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$327,403, \$323,798 and \$297,111 respectively; 83.3 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. \$54,567 representing the unpaid contribution for fiscal year 2014 is recorded as a pension obligation payable.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates as specified above for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$825,745, \$868,823 and \$853,350 respectively; 83.9 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. \$133,198 representing the unpaid contributions for fiscal year 2014 is recorded as a pension obligation payable. Contributions to the DC and Combined Plans for fiscal year 2014 were \$24,091 made by the School District and \$18,928 made by the plan members.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans as well as a prescription drug program. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105 (e). For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount, pro-rated according to service credit earned; for 2014, this amount was \$20,250.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$37,207, \$36,817 and \$40,159 respectively; 97.5 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$18,994, \$18,291 and \$17,546 respectively; 83.3 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$63,519, \$66,833 and \$65,642 respectively; 83.9 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

NOTE 12 - 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 year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contracts do not earn vacation time. Full time Certified and Non-Certified employees are entitled to fifteen days sick leave at a rate of one and one-fourth days for each month under contract. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitation, be paid to the employee upon retirement sick leave benefits up to seventy-two days for all employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through an independent party.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 13 – LONG-TERM OBLIGATIONS

The changes in the School District’s debt obligations during fiscal year 2014 were as follows:

<u>Governmental Activities</u>	<u>Balance 7/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2014</u>	<u>Amount Due in One Year</u>
General obligation bonds:					
Capital appreciation bonds	\$ 53,213	\$ -	\$ (53,213)	\$ -	\$ -
Accretion on bonds	128,653	8,134	(136,787)	-	-
2010 Refunding bonds, 2-4%	2,300,000	-	-	2,300,000	225,000
Capital appreciation bonds	30,000	-	-	30,000	-
Accretion on bonds	40,070	22,472	-	62,542	-
Premium on bonds	87,751	-	(14,871)	72,880	-
Total general obligation bonds:	<u>2,639,687</u>	<u>30,606</u>	<u>(204,871)</u>	<u>2,465,422</u>	<u>225,000</u>
Long-term notes:					
Energy conservation, 2.09%	<u>600,000</u>	<u>-</u>	<u>(45,000)</u>	<u>555,000</u>	<u>45,000</u>
Other obligations:					
Compensated absences	<u>861,072</u>	<u>495,679</u>	<u>(192,545)</u>	<u>1,164,206</u>	<u>369,105</u>
Total Long-term obligations	<u>\$4,100,759</u>	<u>\$ 526,285</u>	<u>\$ (442,416)</u>	<u>\$4,184,628</u>	<u>\$ 639,105</u>

General Obligation Bonds: During fiscal year 1999, the School District issued \$4,339,692 in School Improvement bonds which include capital appreciation bonds. The School Improvement bonds are direct obligations of the School District for which its full faith and credit are pledged for repayment. The bonds were issued for providing resources for constructing, renovating, remodeling, furnishing, equipping and otherwise improving school facilities and their sites. The bonds and interest are to be repaid by the debt service fund from the proceeds of property taxes collected from a levy that was approved by the taxpayers.

On March 15, 2010, the School District issued \$2,580,000 in general obligation bonds which include serial, term and capital appreciation bonds with interest rates varying between 2.0 – 4.0% to refund \$2,580,000 of outstanding School Improvement bonds with an interest rate of 5.2792%. The net proceeds of the refunding bonds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the portion of the bonds refunded. As a result, the bonds are considered defeased and the liability is not reported by the School District. As of June 30, 2010, all of the old bonds that were advanced refunded were called.

On March 2, 2010, the School District issued \$738,127 in Energy Conservation Notes with an interest rate of 2.09% for the purpose of purchasing and installing energy conservation measures. The notes and interest are to be repaid by the debt service fund from property taxes.

Compensated absences will be paid from the fund from which the employees’ salaries are paid. In prior years, this fund has primarily been the general fund.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Principal and interest requirements to retire all bonds and notes outstanding at June 30, 2014 are as follows:

Fiscal Year June 30	<u>General Obligation Bonds</u>		<u>Energy conservation notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 225,000	\$ 76,442	\$ 45,000	\$ 11,129	\$ 270,000	\$ 87,571
2016	230,000	71,433	45,000	10,189	275,000	81,622
2017	240,000	65,252	45,000	9,248	285,000	74,500
2018	30,000	276,832	50,000	8,255	80,000	285,087
2019	245,000	57,606	50,000	7,210	295,000	64,816
2020-2024	1,360,000	140,090	265,000	19,908	1,625,000	159,998
2025	-	-	55,000	575	55,000	575
	<u>\$ 2,330,000</u>	<u>\$ 687,655</u>	<u>\$ 555,000</u>	<u>\$ 66,514</u>	<u>\$ 2,885,000</u>	<u>\$ 754,169</u>

NOTE 14 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2014 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	\$ 15,174

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2014, all interfund loans outstanding are anticipated to be repaid in fiscal year 2015.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfers to nonmajor governmental funds from:	
General fund	\$ 46,356

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of fifty-eight school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The NOECA Assembly consists of a representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. All revenues are generated from a combination of State funding and annual fees-per-student charged to participating school districts. During fiscal year 2014, the School District paid \$57,363 to NOECA for various services. Financial information is available from Betty Rando, who serves as Director, at 219 Howard Drive, Sandusky, Ohio 44870.

Penta Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a nine member Board of Education consisting of a representative from the participating school districts' elected Boards. The Board consists of one representative from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg and Rossford; one representative from each of the three following counties: Fulton, Ottawa, and Lucas; and two representatives from Wood County. The Board possesses its own budgeting and taxing authority. To obtain financial information contact Carrie J. Herringshaw, Treasurer, Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551-3841.

The Ohio Schools Council (Council) is a jointly governed organization among 199 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-four northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2014, the School District paid the Council \$50,305 for natural gas purchases, and \$474 for membership fees. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

NOTE 16 - INSURANCE RATING POOL

The School District participates in Ohio SchoolComp, a Worker's Compensation Group Rating Program (GRP), an insurance premium rating pool sponsored by the Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials' (OASBO). The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or their designee, serves as coordinator of the Program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

NOTE 17 - CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

NOTE 18 - SET-ASIDE REQUIREMENTS

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

Although the School District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, 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.

The following information describes the change in the year-end set-aside amounts for capital maintenance.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	<u>Capital Improvement</u>
Set aside balance as of June 30, 2013	\$ -
Current year set-aside requirement	263,823
Current year offset	<u>(493,727)</u>
Total	<u>\$ (229,904)</u>
Cash balance carried forward to FY2015	<u>\$ -</u>

NOTE 19 – ACCOUNTABILITY

As of June 30, 2014, four nonmajor special revenue funds had a deficit fund balance. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had a deficit at year-end:

<u>Nonmajor special revenue funds:</u>	<u>Deficit</u>
Straight A	\$ 4,103
Title I	26,093
Drug free schools grant	4,174
Reducing class size	9,412

NOTE 20 – EXTRAORDINARY ITEM

On January 25, 2014, the School District suffered a loss as a result of a fire that started in the bus garage and spread to the connected administration building. The building was demolished during the extinguishment of the fire. Communications were temporarily disrupted and administrative operations have resumed in a temporary central office. The extraordinary item of \$853,362 is the net amount of insurance recovery that was received during the fiscal year and the loss incurred on capital assets.

NOTE 21 – SUBSEQUENT EVENTS

In January 2015, the Ohio School Facilities Commission (OSFC) approved a building project for the School District. The project will be used to construct a new consolidated K-5 building on the School District's main campus. The School District recently secured their local funding, primarily through the issuance of \$11,005,000 in Certificates of Participation (issued in January 2015), which is 64 percent of the total estimated project cost of \$19.46 million. The School District has not entered into a formal agreement with the OSFC at this time; however, they anticipate doing so by the end of the current fiscal year.

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**EASTWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program	10.555		
Cash Assistance		\$143,686	\$143,686
Non-Cash Assistance (Commodities)		49,662	49,662
Total National School Lunch Program		<u>193,348</u>	<u>193,348</u>
School Breakfast Program	10.553	<u>12,962</u>	<u>12,962</u>
Total U.S. Department of Agriculture		<u>206,310</u>	<u>206,310</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	132,077	132,690
Migrant Education_State Grant Program	84.011	14,219	13,840
Special Education_Grants to States	84.027	296,278	296,278
Improving Teacher Quality State Grants	84.367	<u>44,131</u>	<u>44,016</u>
Total U.S. Department of Education		<u>486,705</u>	<u>486,824</u>
Total Federal Awards Receipts and Expenditures		<u><u>\$693,015</u></u>	<u><u>\$693,134</u></u>

The accompanying notes are an integral part of this schedule.

**EASTWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Eastwood Local School District
Wood County
4800 Sugar Ridge Road
Pemberville, Ohio 43450

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, the major fund, and the aggregate remaining fund information of Eastwood Local School District, Wood County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 2, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 2, 2015



Dave Yost • Auditor of State

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

Eastwood Local School District
Wood County
4800 Sugar Ridge Road
Pemberville, Ohio 43450

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Eastwood Local School District, Wood County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Eastwood Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 2, 2015

**EASTWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education - Grants to States CFDA # 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

EASTWOOD LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2015**