



Dave Yost • Auditor of State

**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

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PORTAGE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Crestwood Local School District
Portage County
4565 West Prospect Street
Mantua, Ohio 44255

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crestwood Local School District, Portage County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Classroom Facilities Maintenance Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Also, as discussed in Note 2 to the financial statements, the District restated capital assets as of July 1, 2014 due to a re-evaluation. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2016

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Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The discussion and analysis of the Crestwood 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, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position decreased \$126,074, which represents a 1 percent decrease from 2014.
- Capital assets decreased \$1,308,991 during fiscal year 2015.
- During the fiscal year, outstanding debt decreased from \$7,060,042 to \$6,392,472 due to principal payments made by the School District.
- The School District implemented GASB 68, which reduced beginning net position as previously reported by almost \$29 million.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a whole 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 tell 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 and the classroom facilities maintenance fund are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain 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 asks the question, "How did we do financially during fiscal year 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

In the *Statement of Net Position* and the *Statement of Activities*, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of major funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and classroom facilities maintenance fund.

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 23 and 24. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities	
	2015	Restated 2014
Assets		
Current and Other Assets	\$ 15,144,328	\$ 14,727,701
Capital Assets	19,403,667	20,712,658
<i>Total Assets</i>	34,547,995	35,440,359
Deferred Outflows of Resources		
Deferred Charges on Refunding	91,207	101,631
Pension	1,886,767	1,632,134
<i>Total Deferred Outflows of Resources</i>	1,977,974	1,733,765
Liabilities		
Current and Other Liabilities	2,572,116	2,620,931
Long-Term Liabilities:		
Due Within One Year	799,436	924,367
Due in More Than One Year		
Net Pension Liability	25,761,612	30,600,455
Other Amounts	6,787,012	7,548,663
<i>Total Liabilities</i>	35,920,176	41,694,416
Deferred Inflows of Resources		
Property Taxes	6,905,126	6,297,445
Pension	4,644,478	0
<i>Total Deferred Inflows of Resources</i>	11,549,604	6,297,445
Net Position		
Net Investment in Capital Assets	13,170,237	13,801,114
Restricted	3,527,020	3,658,166
Unrestricted	(27,641,068)	(28,277,017)
<i>Total Net Position</i>	\$ (10,943,811)	\$ (10,817,737)

During fiscal year 2015, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014 by nearly \$29 million.

Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

At year end, capital assets represented 56 percent of total assets. Capital assets include land, land improvements, buildings, furniture, equipment and vehicles. The net investment in capital assets was \$13,170,237 at June 30, 2015. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$3,527,020 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is \$(27,641,068), which is primarily caused by the implementation of GASB 68.

Long-term liabilities decreased \$5,725,425 as compared to fiscal year 2014. This decrease can be primarily attributed to a decrease in net pension liability. Deferred inflows of resources increased due to implementation of GASB 68.

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Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,674,216	\$ 1,522,163
Operating Grants	2,260,035	2,012,037
<i>Total Program Revenues</i>	<u>3,934,251</u>	<u>3,534,200</u>
<i>General Revenues:</i>		
Property Taxes	7,300,240	8,800,543
Grants and Entitlements Not Restricted	11,446,852	11,293,912
Other	118,779	185,661
<i>Total General Revenues</i>	<u>18,865,871</u>	<u>20,280,116</u>
<i>Total Revenues</i>	<u>22,800,122</u>	<u>23,814,316</u>
Program Expenses		
Instruction:		
Regular	8,840,324	8,921,929
Special	3,041,003	2,792,822
Vocational	127,004	171,959
Adult/Continuing	0	173
Student Intervention Services	128,952	167,388
Other	1,063,709	1,141,345
Support Services:		
Pupils	968,610	772,953
Instructional Staff	588,700	61,791
Board of Education	136,994	18,565
Administration	1,809,489	1,795,909
Fiscal	560,424	494,312
Business	62,491	53,596
Operation and Maintenance of Plant	2,069,367	2,086,969
Pupil Transportation	1,733,195	1,571,903
Central	421,115	513,374
Operation of Non-Instructional Services:		
Food Service Operations	587,483	558,417
Community Services	871	0
Extracurricular Activities	583,147	541,632
Debt Service:		
Interest and Fiscal Charges	203,318	305,084
<i>Total Expenses</i>	<u>22,926,196</u>	<u>21,970,121</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ (126,074)</u>	<u>\$ 1,844,195</u>

Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,632,134 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,195,732. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68		\$	22,926,196
Pension expense under GASB 68			(1,195,732)
2015 contractually required contribution			1,644,730
Adjusted 2015 program expenses			23,375,194
Total 2014 program expenses under GASB 27			21,970,121
Increase in program expenses not to related pension		\$	1,405,073

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

There was a \$247,998 increase in operating grants due to a health and wellness grant received during fiscal year 2015. The \$1,500,303 decrease in property taxes was primarily caused by a large decrease in amount available for advance, which can vary from year to year based on when the tax bills are sent.

The School District had a revaluation of assets completed during fiscal year 2015 which caused changes in the allocation of depreciation by function and a revaluation of estimated useful lives. This caused a \$711,921 increase in overall depreciation expense over fiscal year 2014, with the majority of this being for support services instructional staff.

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Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
Instruction:				
Regular	\$ 8,840,324	\$ 8,921,929	\$ 7,861,744	\$ 7,937,476
Special	3,041,003	2,792,822	1,439,318	1,254,120
Vocational	127,004	171,959	90,030	122,375
Adult/Continuing	0	173	0	173
Student Intervention Services	128,952	167,388	117,106	99,560
Other	1,063,709	1,141,345	1,063,709	1,141,345
Support Services:				
Pupils	968,610	772,953	616,381	772,953
Instructional Staff	588,700	61,791	588,221	61,761
Board of Education	136,994	18,565	136,994	18,565
Administration	1,809,489	1,795,909	1,809,489	1,795,909
Fiscal	560,424	494,312	560,424	494,312
Business	62,491	53,596	62,491	53,596
Operation and Maintenance of Plant	2,069,367	2,086,969	2,049,022	2,066,698
Pupil Transportation	1,733,195	1,571,903	1,577,078	1,455,370
Central	421,115	513,374	413,915	506,174
Operation of Non-Instructional Services:				
Food Service Operations	587,483	558,417	56,396	49,688
Community Services	871	0	771	0
Extracurricular Activities	583,147	541,632	345,538	300,762
Debt Service:				
Interest and Fiscal Charges	203,318	305,084	203,318	305,084
Total Expenses	\$ 22,926,196	\$ 21,970,121	\$ 18,991,945	\$ 18,435,921

The dependence upon general revenues for governmental activities is apparent. Nearly 83 percent of governmental activities are supported through taxes and other general revenues; such revenues are 83 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,715,607 and expenditures of \$22,943,588 for fiscal year 2015.

The general fund's net change in fund balance for fiscal year 2015 was an increase of \$106,649.

Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The fund balance of the classroom facilities maintenance fund decreased by \$155,740.

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 2015, the School District did amend its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue was \$20,198,822 which was higher than the final budget basis revenue by \$159,205. Most of this difference is due to an underestimation of property taxes and tuition and fees revenue.

Final appropriations of \$19,903,168 were \$315,554 higher than the actual expenditures of \$19,587,614 as cost savings were recognized for instruction and student support services throughout the year.

During the course of fiscal year 2015, there were no significant changes from the original to final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$19,403,667 invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities	
	2015	Restated 2014
Land	\$ 1,529,042	\$ 1,529,042
Land Improvements	2,080,450	2,240,111
Buildings and Building Improvements	13,407,401	13,914,200
Furniture and Fixtures	1,873,936	2,341,088
Vehicles	512,838	688,217
<i>Totals</i>	\$ 19,403,667	\$ 20,712,658

The \$1,308,991 decrease in capital assets was attributable to current year depreciation exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Debt

At June 30, 2015, the School District had \$6,392,472 in debt outstanding. See Note 9 for additional details. Table 5 summarizes debt outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental Activities	
	2015	2014
General Obligation Bonds	\$ 4,675,272	\$ 5,138,442
Lease Obligations	1,717,200	1,921,600
<i>Total</i>	\$ 6,392,472	\$ 7,060,042

Current Issues

The Board of Education and administration closely monitor revenues and expenditures in accordance with the financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues locally 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.

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 citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ms. Jill Rowe, Treasurer/CFO of Crestwood Local School District, 4565 West Prospect St., Mantua, Ohio 44255.

Crestwood Local School District
Portage County, Ohio
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 6,232,725
Inventory Held For Resale	6,456
Receivables:	
Intergovernmental	754,249
Property Taxes	8,150,898
Nondepreciable Capital Assets	1,529,042
Depreciable Capital Assets (Net)	17,874,625
<i>Total Assets</i>	34,547,995
Deferred Outflows of Resources	
Deferred Charges on Refunding	91,207
Pension	1,886,767
<i>Total Deferred Outflows of Resources</i>	1,977,974
Liabilities	
Accounts Payable	20,453
Accrued Wages and Benefits	1,947,663
Intergovernmental Payable	354,460
Matured Compensated Absences Payable	234,243
Accrued Interest Payable	15,297
Long Term Liabilities:	
Due Within One Year	799,436
Due In More Than One Year:	
Net Pension Liability (See Note 11)	25,761,612
Other Amonts Due in More Than One Year	6,787,012
<i>Total Liabilities</i>	35,920,176
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	6,905,126
Pension	4,644,478
<i>Total Deferred Inflows of Resources</i>	11,549,604
Net Position	
Net Investment in Capital Assets	13,170,237
Restricted For:	
Capital Outlay	501,826
Debt Service	612,140
Classroom Facilities Maintenance	2,101,635
State Funded Programs	462
Federally Funded Programs	291,063
Other Purposes	19,894
Unrestricted	(27,641,068)
<i>Total Net Position</i>	\$ (10,943,811)

See accompanying notes to the basic financial statements.

Crestwood Local School District
Portage County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 8,840,324	\$ 886,870	\$ 91,710	\$ (7,861,744)
Special	3,041,003	306,004	1,295,681	(1,439,318)
Vocational	127,004	0	36,974	(90,030)
Student Intervention Services	128,952	0	11,846	(117,106)
Other	1,063,709	0	0	(1,063,709)
Support Services:				
Pupils	968,610	0	352,229	(616,381)
Instructional Staff	588,700	479	0	(588,221)
Board of Education	136,994	0	0	(136,994)
Administration	1,809,489	0	0	(1,809,489)
Fiscal	560,424	0	0	(560,424)
Business	62,491	0	0	(62,491)
Operation and Maintenance of Plant	2,069,367	0	20,345	(2,049,022)
Pupil Transportation	1,733,195	29,388	126,729	(1,577,078)
Central	421,115	0	7,200	(413,915)
Operation of Non-Instructional Services:				
Food Service Operations	587,483	217,960	313,127	(56,396)
Community Services	871	100	0	(771)
Extracurricular Activities	583,147	233,415	4,194	(345,538)
Debt Service:				
Interest and Fiscal Charges	203,318	0	0	(203,318)
Total	\$ 22,926,196	\$ 1,674,216	\$ 2,260,035	(18,991,945)

General Revenues

Property Taxes Levied for:

General Purposes	6,354,092
Debt Service	494,445
Capital Outlay	300,365
Classroom Facilities Maintenance	151,338
Grants and Entitlements Not Restricted to Specific Programs	11,446,852
Investment Earnings	23,708
Miscellaneous	95,071
Total General Revenues	18,865,871

Change in Net Position (126,074)

Net Position Beginning of Year (Restated, See Note 2Q) (10,817,737)

Net Position End of Year \$ (10,943,811)

See accompanying notes to the basic financial statements.

Crestwood Local School District
Portage County, Ohio
Balance Sheet
Governmental Funds
June 30, 2015

	General	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 3,122,966	\$ 2,091,522	\$ 1,018,237	\$ 6,232,725
Inventory Held For Resale	0	0	6,456	6,456
Receivables:				
Interfund	45,678	0	0	45,678
Intergovernmental	380,258	0	373,991	754,249
Property Taxes	7,095,262	113,175	942,461	8,150,898
<i>Total Assets</i>	<u>\$ 10,644,164</u>	<u>\$ 2,204,697</u>	<u>\$ 2,341,145</u>	<u>\$ 15,190,006</u>
Liabilities				
Accounts Payable	\$ 9,074	\$ 7,389	\$ 3,990	\$ 20,453
Accrued Wages and Benefits	1,806,385	0	141,278	1,947,663
Intergovernmental Payable	338,113	0	16,347	354,460
Matured Compensated Absences Payable	234,243	0	0	234,243
Interfund Payable	0	0	45,678	45,678
<i>Total Liabilities</i>	<u>2,387,815</u>	<u>7,389</u>	<u>207,293</u>	<u>2,602,497</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	6,011,457	95,673	797,996	6,905,126
Unavailable Revenue	520,316	3,648	384,430	908,394
<i>Total Deferred Inflows of Resources</i>	<u>6,531,773</u>	<u>99,321</u>	<u>1,182,426</u>	<u>7,813,520</u>
Fund Balances				
Nonspendable	4,346	0	0	4,346
Restricted	0	2,097,987	1,111,332	3,209,319
Committed	11,000	0	0	11,000
Assigned	195,903	0	0	195,903
Unassigned	1,513,327	0	(159,906)	1,353,421
<i>Total Fund Balances</i>	<u>1,724,576</u>	<u>2,097,987</u>	<u>951,426</u>	<u>4,773,989</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 10,644,164</u>	<u>\$ 2,204,697</u>	<u>\$ 2,341,145</u>	<u>\$ 15,190,006</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Portage County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		\$ 4,773,989
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,403,667
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 352,723	
Excess Costs	277,090	
Property Taxes	<u>278,581</u>	908,394
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(15,297)
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		91,207
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	1,886,767	
Deferred Inflows - Pension	(4,644,478)	
Net Pension Liability	<u>(25,761,612)</u>	(28,519,323)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(4,400,000)	
Capital Appreciation Bonds	(39,978)	
Bond Premium	(167,459)	
Accretion of Interest - Capital Appreciation Bonds	(67,835)	
Lease Purchase	(1,717,200)	
Early Retirement Incentive	(90,000)	
Compensated Absences	<u>(1,103,976)</u>	<u>(7,586,448)</u>
 <i>Net Position of Governmental Activities</i>		 <u><u>\$ (10,943,811)</u></u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Portage County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 6,384,742	\$ 151,849	\$ 798,981	\$ 7,335,572
Intergovernmental	11,945,921	55,195	1,464,255	13,465,371
Investment Income	23,708	0	0	23,708
Tuition and Fees	1,306,494	0	0	1,306,494
Extracurricular Activities	130,241	0	100,329	230,570
Rentals	7,418	0	0	7,418
Charges for Services	100	0	217,960	218,060
Contributions and Donations	15,917	0	19,076	34,993
Miscellaneous	82,760	0	10,661	93,421
<i>Total Revenues</i>	<u>19,897,301</u>	<u>207,044</u>	<u>2,611,262</u>	<u>22,715,607</u>
Expenditures				
Current:				
Instruction:				
Regular	8,247,500	0	98,496	8,345,996
Special	2,366,561	0	761,805	3,128,366
Vocational	146,227	0	0	146,227
Student Intervention Services	116,309	0	12,643	128,952
Other	1,064,320	0	0	1,064,320
Support Services:				
Pupils	893,062	0	88,239	981,301
Instructional Staff	191,879	0	0	191,879
Board of Education	137,186	0	0	137,186
Administration	1,839,107	0	2,600	1,841,707
Fiscal	547,605	2,285	18,905	568,795
Business	62,491	0	0	62,491
Operation and Maintenance of Plant	1,751,432	273,339	0	2,024,771
Pupil Transportation	1,348,072	0	252,530	1,600,602
Central	333,217	87,160	7,200	427,577
Extracurricular Activities	411,111	0	147,487	558,598
Operation of Non-Instructional Services:				
Food Service Operations	0	0	569,378	569,378
Community Services	871	0	0	871
Capital Outlay	0	0	302,880	302,880
Debt Service:				
Principal Retirement	204,400	0	465,000	669,400
Interest and Fiscal Charges	49,578	0	142,713	192,291
<i>Total Expenditures</i>	<u>19,710,928</u>	<u>362,784</u>	<u>2,869,876</u>	<u>22,943,588</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>186,373</u>	<u>(155,740)</u>	<u>(258,614)</u>	<u>(227,981)</u>
Other Financing Sources (Uses)				
Insurance Recoveries	1,652	0	0	1,652
Transfers In	0	0	81,376	81,376
Transfers Out	(81,376)	0	0	(81,376)
<i>Total Other Financing Sources (Uses)</i>	<u>(79,724)</u>	<u>0</u>	<u>81,376</u>	<u>1,652</u>
<i>Net Change in Fund Balance</i>	106,649	(155,740)	(177,238)	(226,329)
<i>Fund Balances Beginning of Year</i>	<u>1,617,927</u>	<u>2,253,727</u>	<u>1,128,664</u>	<u>5,000,318</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,724,576</u>	<u>\$ 2,097,987</u>	<u>\$ 951,426</u>	<u>\$ 4,773,989</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Portage County, Ohio

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

Net Change in Fund Balances - Total Governmental Funds	\$	(226,329)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital additions in the current period.		
Capital Asset Additions	\$ 201,280	
Current Year Depreciation	<u>(1,510,271)</u>	(1,308,991)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(35,332)	
Excess Costs	277,090	
Intergovernmental	<u>(158,895)</u>	82,863
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	465,000	
Lease Purchase	<u>204,400</u>	669,400
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,644,730
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(1,195,732)
In the statement of activities, interest is accrued on outstanding bonds; and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	1,227	
Amortization of Premium on Bonds	19,138	
Amortization of Refunding Loss	<u>(10,424)</u>	9,941
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	149,012	
Early Retirement Incentive (net change)	<u>70,000</u>	219,012
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		<u>(20,968)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>(126,074)</u></u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Portage County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 6,832,445	\$ 6,832,977	\$ 6,889,196	\$ 56,219
Intergovernmental	11,847,411	11,909,900	11,951,614	41,714
Investment Income	20,000	20,000	23,995	3,995
Tuition and Fees	1,121,100	1,141,100	1,201,559	60,459
Extracurricular Activities	114,500	114,500	109,495	(5,005)
Rentals	0	0	4,093	4,093
Charges for Services	150	150	0	(150)
Contributions and Donations	8,800	8,800	213	(8,587)
Miscellaneous	12,190	12,190	18,657	6,467
<i>Total Revenues</i>	<u>19,956,596</u>	<u>20,039,617</u>	<u>20,198,822</u>	<u>159,205</u>
Expenditures				
Current:				
Instruction:				
Regular	8,426,532	8,271,823	8,154,813	117,010
Special	2,155,758	2,212,141	2,343,251	(131,110)
Vocational	170,663	186,363	184,803	1,560
Student Intervention Services	97,398	97,398	116,309	(18,911)
Other	980,172	1,157,071	1,095,511	61,560
Support Services:				
Pupils	902,851	902,851	890,263	12,588
Instructional Staff	201,568	203,568	197,541	6,027
Board of Education	20,736	22,486	23,149	(663)
Administration	1,809,066	1,797,393	1,830,401	(33,008)
Fiscal	563,114	559,114	550,570	8,544
Business	66,500	66,500	62,491	4,009
Operation and Maintenance of Plant	1,941,891	1,958,546	1,779,180	179,366
Pupil Transportation	1,375,893	1,387,106	1,370,404	16,702
Central	414,675	414,675	340,656	74,019
Extracurricular Activities	407,155	407,155	394,294	12,861
Operation of Non-Instructional Services:				
Community Services	5,000	5,000	0	5,000
Debt Service:				
Principal Retirement	204,400	204,400	204,400	0
Interest and Fiscal Charges	49,578	49,578	49,578	0
<i>Total Expenditures</i>	<u>19,792,950</u>	<u>19,903,168</u>	<u>19,587,614</u>	<u>315,554</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>163,646</u>	<u>136,449</u>	<u>611,208</u>	<u>474,759</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,400	4,956	0	(4,956)
Refund of Prior Year Expenditures	0	51,258	51,038	(220)
Insurance Recoveries	1,200	1,652	1,652	0
Advances In	17,320	51,038	51,258	220
Advances Out	(50,000)	(40,000)	(45,403)	(5,403)
Transfers Out	(3,372)	(114,372)	(94,978)	19,394
<i>Total Other Financing Sources (Uses)</i>	<u>(33,452)</u>	<u>(45,468)</u>	<u>(36,433)</u>	<u>9,035</u>
<i>Net Change in Fund Balance</i>	130,194	90,981	574,775	483,794
<i>Fund Balance Beginning of Year</i>	2,234,196	2,234,196	2,234,196	0
Prior Year Encumbrances Appropriated	87,011	87,011	87,011	0
<i>Fund Balance End of Year</i>	<u>\$ 2,451,401</u>	<u>\$ 2,412,188</u>	<u>\$ 2,895,982</u>	<u>\$ 483,794</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Portage County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Classroom Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 109,113	\$ 109,311	\$ 110,117	\$ 806
Intergovernmental	55,266	55,195	55,195	0
<i>Total Revenues</i>	<u>164,379</u>	<u>164,506</u>	<u>165,312</u>	<u>806</u>
Expenditures				
Current:				
Support Services:				
Fiscal	2,325	2,325	2,285	40
Operation and Maintenance of Plant	80,380	294,000	282,437	11,563
Central	0	65,600	87,160	(21,560)
Capital Outlay	50,000	10,000	0	10,000
<i>Total Expenditures</i>	<u>132,705</u>	<u>371,925</u>	<u>371,882</u>	<u>43</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>31,674</u>	<u>(207,419)</u>	<u>(206,570)</u>	<u>849</u>
Other Financing Sources (Uses)				
Transfers In	50,000	50,000	50,000	0
<i>Net Change in Fund Balance</i>	81,674	(157,419)	(156,570)	849
<i>Fund Balance Beginning of Year</i>	2,281,608	2,281,608	2,231,605	(50,003)
Prior Year Encumbrances Appropriated	7,380	7,380	7,380	0
<i>Fund Balance End of Year</i>	<u>\$ 2,370,662</u>	<u>\$ 2,131,569</u>	<u>\$ 2,082,415</u>	<u>\$ (49,154)</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Portage County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 1,509	\$ 59,117
Cash and Cash Equivalents in Segregated Accounts	44,405	0
<i>Total Assets</i>	\$ 45,914	\$ 59,117
Liabilities		
Accounts Payable	0	\$ 181
Due to Students	0	58,936
<i>Total Liabilities</i>	0	\$ 59,117
Net Position		
Held in Trust for Scholarships	\$ 45,914	

See accompanying notes to the basic financial statements.

Crestwood Local School District
Portage County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	<u>Private Purpose Trust</u>
Additions	
Investment Earnings	<u>\$ 88</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>894</u>
<i>Change in Net Position</i>	(806)
<i>Net Position Beginning of Year</i>	<u>46,720</u>
<i>Net Position End of Year</i>	<u><u>\$ 45,914</u></u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

The Crestwood Local School District (the “School District”) was formed in 1956 from a consolidation of the Mantua and Shalersville Township Schools. In 1964, the Hiram Township Schools joined the School District which currently covers seventy-five square miles.

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board controls the School District’s four instructional/support facilities staffed by non-certified employees and certified full time teaching and support personnel who provide services to students and other community members.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 61, *Omnibus-An Amendment of GASB Statements No. 14 and 34*. The reporting entity is composed of the primary government and component units. 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; (3) 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 (4) the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the School District has no component units. The basic financial statements of the reporting entity include only those of the School District (the primary government).

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The following organizations are described due to their relationship to the School District:

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

The School District is a member of SPARCC. SPARCC is the computer service organization or Data Acquisition Site (DAS) used by the School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges and assessments as charged. A Board made up of superintendents from all of the participating school districts governs SPARCC. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the general fund. During the fiscal year, the School District paid \$94,663 to SPARCC.

Portage County School Consortium (the "Consortium")

The School District is a member of the Portage County School Consortium, an insurance group - purchasing consortium made up of thirteen districts in Portage County. All member districts pay an insurance premium directly to the Consortium. The School District paid \$2,854,763 in the form of insurance premiums to the Consortium during the fiscal year.

Maplewood Career Center (the "Center")

The Maplewood Career Center is located in Portage County and offers vocational training to the School District's students in the 11th and 12th grades. Although the School District is represented on the Board of Education of the Center by appointing a member to a three-year term, any financial support of the Center is generated directly by the Center through a county-wide tax levy and state-supported pupil basic aid. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary. The School District has no proprietary funds.

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

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

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Classroom Facilities Maintenance Fund The classroom facilities special revenue fund accounts for monies received from a special levy for maintenance of facilities.

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

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

C. Basis of Presentation and Measurement Focus

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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the School District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the School District.

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

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 11.

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11).

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails 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. 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 for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with legal restriction and appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2015. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

At the close of each 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 re-appropriated.

F. Cash and Investments

To improve cash management, cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

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During fiscal year 2015, the School District investments were limited to federal securities, commercial paper, money market funds and non-negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and non-negotiable certificates of deposit are reported at cost.

Under existing Ohio statutes, all investment earnings are assigned to the general fund except for those specifically related to the building capital projects fund (a nonmajor governmental fund), or certain trust funds individually authorized by board resolution. Investment earnings credited to the general fund during fiscal year 2015 amounted to a loss of \$23,708 which includes \$13,427 assigned from other School District funds.

For presentation on the basic financial statements, 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.

An analysis of the School District's investment account at year end is provided in Note 4.

G. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method, which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed. Inventories consist of donated and purchased food held for resale.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	40 - 50 Years
Buildings	30 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	5 - 20 Years

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Notes to the Basic Financial Statements
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I. Interfund Balances

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

J. Compensated Absences

GASB No. 16, *Accounting for Compensated Absences* specifies the method used to accrue liabilities for leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015, 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.

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

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

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the 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 – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. 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 – 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.

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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.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2015, there was no net position restricted by enabling legislation.

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

O. Estimates

The preparation of the basic 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.

P. Interfund Activity

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

Q. Implementation of New Accounting Policies and Restatement of Net Position

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

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GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Restatement of Net Position

During the fiscal year, the School District had a re-valuation of capital assets by an appraisal company. The re-valuation and implementation of GASB Statement No. 68 and 71 had the following effect on net position as previously reported:

	Governmental Activities
Net Position June 30, 2014	\$ 22,094,360
Asset Valuation - Depreciable Capital Assets	1,675,157
Asset Valuation - Accumulated Depreciation	(5,618,933)
Subtotal	18,150,584
GASB 68/71 Adjustments:	
Net Pension Liability	(30,600,455)
Deferred Outflow - Payments Subsequent to Measurement Date	1,632,134
Restated Net Position, July 1, 2014	\$ (10,817,737)

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

Crestwood Local School District
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Notes to the Basic Financial Statements
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NOTE 3 – ACCOUNTABILITY

Fund balances at June 30, 2015 included the following individual fund deficits:

	Deficit
	<u>Fund Balance</u>
Nonmajor Governmental Funds:	
Food Service	\$ 86,017
Preschool for Handicapped	310
IDEA Part B	37,347
Title I	30,964
Improving Teacher Quality	5,268

The deficits in these governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the non-major governmental funds and will provide transfers when cash is required, not when accruals occur.

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 two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

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;

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3. Written repurchase agreements in the 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 2% and be marked to market daily, and the term of the agreement must not exceed 30 days;
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 and STAR Plus);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2015, the School District and public depositories complied with the provisions of these statutes.

A. Cash on Hand

At fiscal year-end, the School District had \$3,870 in undeposited cash on hand which is included on the financial statements of the School District as part of "equity in pooled cash and investments."

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B. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all the School District deposits was \$3,302,128. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, \$2,742,597 of the School District's bank balance of \$3,492,956 was exposed to custodial risk as discussed below, while \$750,359 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of the bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system in the name of the respective depository bank and pledged as a pool of collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

C. Investments

At June 30, 2015, the School District had the following investments and maturities:

Moody's Credit Rating	Fair Value	Maturity					% of Investments
		< 6 Months	7 - 12 Months	13 - 18 Months	19 - 24 Months	> 24 Months	
Aaa Federal Farm Credit Banks	\$ 300,332	\$ 0	300,332	0	\$ 0	\$ 0	9.91%
Aaa Federal National Mortgage Association	465,881	0	250,663	0	0	215,218	15.37%
Aaa Federal Home Loan Mortgage	1,360,568	0	0	299,231	244,871	816,466	44.87%
Aaa Federal Home Loan Bank	306,217	0	0	0	306,217	0	10.10%
Aa3 BMW Bank North America CD	209,602	0	0	0	0	209,602	6.91%
Aa2 American Express Centurion CD	228,228	0	0	0	0	228,228	7.53%
Aaa Money Market Funds	11,131	11,131	0	0	0	0	0.37%
P-1 Commercial Paper	149,799	149,799	0	0	0	0	4.94%
Total	<u>\$ 3,031,758</u>	<u>\$ 160,930</u>	<u>\$ 550,995</u>	<u>\$ 299,231</u>	<u>\$ 551,088</u>	<u>\$ 1,469,514</u>	<u>100.00%</u>

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

Credit Risk: The School District's investments credit ratings are summarized in the table above.

Custodial Credit Risk: For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer. The percentage of each investment type held by the School District at June 30, 2015 is included in the table above.

NOTE 5 – INTERFUND ACTIVITY

A. Interfund Balances

As of June 30, 2015 receivables and payables that resulted from cash advances from the general fund to other funds were as follows:

	Interfund Receivable	Interfund Payable
Fund:		
General	\$ 45,678	\$ 0
Other Governmental		
Food Service	0	40,148
Local Government Innovation	0	127
IDEA-II A	0	5,403
Total	\$ 45,678	\$ 45,678

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2015 are reported on the statement of net position.

B. Interfund Transfers

During fiscal year 2015, the General Fund transferred \$40,780 and \$40,596 to the Food Service Fund and the Athletics Fund, respectively, to cover expenditures.

The Permanent Improvement Fund transferred money to the Classroom Facilities Maintenance Fund in accordance with the maintenance business plan. On the modified and accrual basis, this transfer is reclassified to property tax revenues.

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expand them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

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NOTE 6 – 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 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.

The School District receives property taxes from Portage 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, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 in the general, classroom facilities maintenance fund, bond retirement and permanent improvement funds were \$840,579, \$13,854, \$68,231, and \$44,527, respectively. The amount available for advance at June 30, 2014, in the general, classroom facilities maintenance fund, bond retirement and permanent improvement funds were \$1,345,033, \$22,122, \$109,028, and \$70,349, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 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.

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

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

	<u>2014 Second Half Collections</u>		<u>2015 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$ 279,269,310	95.71%	\$ 279,054,710	95.47%
Public Utility Personal Property	12,506,170	4.29%	13,232,010	4.53%
Total	\$ 291,775,480	100.00%	\$ 292,286,720	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$ 51.91		\$ 51.91	

NOTE 7 – RECEIVABLES

Receivables at June 30, 2015 consisted of property taxes, interfund, intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within the subsequent year.

NOTE 8 – CAPITAL ASSETS

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

	<u>Restated Balance 6/30/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2015</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,529,042	\$ 0	\$ 0	\$ 1,529,042
<i>Capital Assets, being depreciated:</i>				
Land improvements	5,647,847	86,370	0	5,734,217
Buildings	23,735,475	0	0	23,735,475
Furniture and equipment	4,170,334	114,910	0	4,285,244
Vehicles	2,664,667	0	0	2,664,667
Total Capital Assets, being depreciated	<u>36,218,323</u>	<u>201,280</u>	<u>0</u>	<u>36,419,603</u>
<i>Less Accumulated Depreciation:</i>				
Land improvements	(3,407,736)	(246,031)		(3,653,767)
Buildings	(9,821,275)	(506,799)		(10,328,074)
Furniture and equipment	(1,829,246)	(582,062)		(2,411,308)
Vehicles	(1,976,450)	(175,379)		(2,151,829)
Total Accumulated Depreciation	<u>(17,034,707)</u>	<u>(1,510,271)</u>	<u>0</u>	<u>(18,544,978)</u>
Total Capital Assets being depreciated, net	<u>19,183,616</u>	<u>(1,308,991)</u>	<u>0</u>	<u>17,874,625</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 20,712,658</u>	<u>\$ (1,308,991)</u>	<u>\$ 0</u>	<u>\$ 19,403,667</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 801,973
Special	873
Support Services:	
Pupils	750
Instructional Staff	391,337
Administration	1,708
Operation and Maintenance of Plant	65,213
Pupil Transportation	181,307
Central	
Extracurricular Activities	37,442
Food Service Operations	29,668
	\$ 1,510,271

NOTE 9 – LONG-TERM OBLIGATIONS

During the fiscal year 2015 the following changes occurred in governmental activities long-term obligations:

	Restated Outstanding Balance 6/30/2014	Additions	Deductions	Outstanding Balance 6/30/2015	Amount Due in One Year
General Obligation Bonds:					
2011 Refunding Bonds					
Serial and Term Bonds 2.00-4.00%	\$ 4,865,000	\$ 0	\$ (465,000)	\$ 4,400,000	\$ 475,000
Capital Appreciation Bonds	39,978	0	0	39,978	0
Accreted Interest	46,867	20,968	0	67,835	0
Unamortized Premium	186,597	0	(19,138)	167,459	0
Total General Obligations Bonds	5,138,442	20,968	(484,138)	4,675,272	475,000
Net Pension Liability:					
STRS	24,310,593	0	(3,901,991)	20,408,602	0
SERS	6,289,862	0	(936,852)	5,353,010	0
Total Net Pension Liability	30,600,455	0	(4,838,843)	25,761,612	0
Other Long-Term Obligations:					
Lease Purchase	1,921,600	0	(204,400)	1,717,200	209,800
Compensated Absences	1,252,988	(300,436)	(151,424)	1,103,976	24,636
Early Retirement Incentive	160,000	90,000	(160,000)	90,000	90,000
Total Other Long Term Obligations	3,334,588	(210,436)	(515,824)	2,911,176	324,436
Total	\$ 39,073,485	\$ (189,468)	\$ (5,838,805)	\$ 33,348,060	\$ 799,436

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Compensated absences will be paid from the fund from which the person is paid. In prior years, this has primarily been the general fund. The early retirement incentive will also be paid from the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District provided an early retirement incentive plan for employees through June 30, 2012. Employees who enrolled in the early retirement incentive plan must have declared their intention to retire before each year end. Certified employees will receive a \$30,000 incentive. The incentive plus severance pay will be paid in three, five or eight equal annual installments. Payments will begin after second month of retirement.

Classified employees received a \$15,000 incentive plus severance, which will be paid in five equal annual payments. A liability for the early retirement incentive payments has been recorded in the statement of net position.

The School District provides a contractual notification incentive plan for employees beginning in fiscal year 2013. Employees who enroll in the contractual notification incentive plan must declare their intention to retire before the end of the first semester. Certified employees will receive a \$10,000 incentive. Classified employees will receive a \$3,000 incentive. 50 percent of the contractual notification incentive plan is paid in one year with the remaining 50 percent paid in the next calendar year. A liability for the contractual notification incentive plan has been included in the early retirement incentive plan liability in the statement of net position. 9 employees took advantage of the early retirement incentive in fiscal year 2015.

On March 30, 2011, the School District issued \$5,799,978 in voted general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$5,760,000 and \$39,978, respectively. The bonds advance refunded \$5,660,000 of outstanding 2001 Classroom Facilities General Obligation Bonds and \$140,000 of outstanding 2001 Site Acquisition General Obligation Bonds. The bonds were issued for a nineteen year period with final maturities at December 31, 2024. The bonds are being repaid from the bond retirement fund.

At the date of refunding, \$5,799,978 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. The advance refunding reduced cash flows required for debt service by \$639,976 over the next thirteen years and resulted in an economic gain of \$461,609. As a result, \$5,800,000 of the 2001 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The bonds were issued with a premium of \$248,795, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2015 was \$19,138. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$132,903. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2015 was \$10,424.

The bond issue consists of serial and capital appreciation bonds. The serial bonds were issued with an interest rate of 2.0-4.0 percent.

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The current interest bonds maturing on or after December 1, 2019 are subject to prior redemption, by and at the sole option of the School District, in whole or in part as selected by the School District (in whole multiples of \$5,000) or any date on or after December 1, 2018, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date.

The capital appreciation bonds will mature December 1, 2019. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as interest expense. The maturity amount of the bonds is \$280,000. The fiscal year 2015 accretion amount is \$20,968.

In fiscal year 2013, the School District entered into a lease purchase agreement with Huntington Public Capital Corporation to finance the energy conservation project in the amount of \$2,123,500. The lease agreement required the School District to establish an escrow account. The proceeds will be used to make various upgrades throughout the high school, middle school, bus garage and the field house. The lease issued for a nineteen year period with final maturities at December 1, 2022. The lease is being paid from the general fund.

The following is a summary of the future debt service requirements to maturity for the long-term debt:

Fiscal Year Ending June 30	Current Interest Bonds		Lease Purchase		Capital Appreciation Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 475,000	\$ 133,312	\$ 209,800	\$ 44,125	\$ 0	\$ 0	\$ 684,800	\$ 177,437
2017	485,000	123,106	215,400	38,528	0	0	700,400	161,634
2018	490,000	111,525	221,200	32,782	0	0	711,200	144,307
2019	500,000	97,900	227,100	26,882	0	0	727,100	124,782
2020	235,000	86,875	233,200	20,824	39,978	240,022	508,178	347,721
2021 - 2024	2,215,000	178,475	610,500	24,479	0	0	2,825,500	202,954
Total	<u>\$ 4,400,000</u>	<u>\$ 731,193</u>	<u>\$ 1,717,200</u>	<u>\$ 187,620</u>	<u>\$ 39,978</u>	<u>\$ 240,022</u>	<u>\$ 6,157,178</u>	<u>\$ 1,158,835</u>

NOTE 10 – 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. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

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A. Property and Liability

The School District is a member of the Portage County School Consortium (the “Consortium”) for health insurance for the School District’s employees. The Consortium was established in 1983 so that thirteen educational-service providers in Portage County could manage risk exposures and purchase necessary insurance coverage as a group. The Consortium is organized into two distinct entities to facilitate its risk management operations. The Property and Casualty Insurance Pool function is to manage the member districts’ physical property and liability risks. The Health and Welfare Trust is to facilitate the management of risks associated with providing employee benefits and coverage, such as health and accident insurance and life insurance. The School District participates both in the Health and Welfare Trust and Property and Casualty Insurance Pool of the Consortium. The Consortium retains a third-party administrator to facilitate the operation of the Health and Welfare Trust.

The School District pays all insurance premiums directly to the Consortium. Although the School District does not participate in the day-to-day management of the Consortium, one of its administrators serves as a trustee of the Consortium’s governing board as provided in the Consortium’s enabling authority. Although the School District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the Consortium become depleted, it is the opinion of management that the assets of the Consortium are sufficient to meet its claims. Settlements for the past three fiscal years have not exceeded the insurance coverage.

As part of the Property and Casualty Insurance Pool, the School District contracted with Ohio Casualty Insurance for property, employee bonding, and for general liability insurance during fiscal year 2015.

B. Workers’ Compensation

The School District is a member of the Ohio School Boards Association (OSBA) Worker’s Compensation Group Rating Program established in April 1991. The program was created by the OSBA as a result of the Worker’s Compensation group rating plan as defined in Section 4123.29 of the Ohio Revised Code. The group ratings program allows districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

The School District pays the State Worker’s Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 11 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District's contractually required contribution to SERS was \$528,777 for fiscal year 2015. Of this amount \$7,980 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

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

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

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

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

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

The School District's contractually required contribution to STRS was \$1,115,953 for fiscal year 2015. Of this amount \$172,041 is reported as an intergovernmental payable.

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

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

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	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 20,408,602	\$ 5,353,010	\$ 25,761,612
Proportion of the Net Pension Liability	0.08390501%	0.10577100%	
Pension Expense	\$ 832,114	\$ 363,618	\$ 1,195,732

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

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 196,477	\$ 45,560	\$ 242,037
School District contributions subsequent to the measurement date	<u>1,115,953</u>	<u>528,777</u>	<u>1,644,730</u>
Total Deferred Outflows of Resources	<u>\$ 1,312,430</u>	<u>\$ 574,337</u>	<u>\$ 1,886,767</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 3,775,669</u>	<u>\$ 868,809</u>	<u>\$ 4,644,478</u>

\$1,644,730 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (894,798)	\$ (205,812)	\$ (1,100,610)
2017	(894,798)	(205,812)	(1,100,610)
2018	(894,798)	(205,812)	(1,100,610)
2019	<u>(894,798)</u>	<u>(205,813)</u>	<u>(1,100,611)</u>
Total	<u>\$ (3,579,192)</u>	<u>\$ (823,249)</u>	<u>\$ (4,402,441)</u>

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 7,637,155	\$ 5,353,010	\$ 3,431,847

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 29,217,139	\$ 20,408,602	\$ 12,959,544

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 12 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$85,850, \$56,230 and \$55,142, respectively. For fiscal year 2015, 99 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$88,839, and \$88,149, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 13 – BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenues, expenditures and changes in fund balance – budget and actual (non-GAAP budgetary basis) presented for the general and classroom facilities maintenance funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to an assignment of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general and classroom facilities maintenance funds are as follows:

Net Change in Fund Balance

	General	Classroom Facilities Maintenance
GAAP Basis	\$ 106,649	\$ (155,740)
Net Adjustment for Revenue Accruals	564,626	8,268
Net Adjustment for Expenditure Accruals	10,782	9
Funds Budgeted Elsewhere**	(26,735)	0
Adjustment for Encumbrances	(80,547)	(9,107)
Budget Basis	\$ 574,775	\$ (156,570)

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes public school support, uniform school supplies, underground storage tank and vending machine funds.

NOTE 14 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 15 – STATUTORY RESERVES

The School District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2015, the reserve activity was as follows:

	Capital Acquisition
Set Aside Reserve Balance June 30, 2014	\$ 0
Current Year Set Aside Requirement	337,005
Current year offsets	(621,405)
Total	\$ (284,400)
Balance carried forward to fiscal year 2016	\$ 0

The School District had enough current year offsets to reduce the set-aside amount below zero for the capital acquisition reserve; however, this amount may not be carried forward to future years.

NOTE 16 – COMMITMENTS

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General Fund	\$ 74,417
Classroom Facilities	1,718
Other Governmental	26,955
Total Governmental Funds	\$ 103,090

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 17 – FUND BALANCE

Fund balance can be 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 governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Classroom Facilities Maintenance	Other Governmental	Total
Nonspendable for:				
Unclaimed Funds	\$ 4,346	\$ 0	\$ 0	\$ 4,346
Restricted for:				
Debt Service	0	0	606,146	606,146
Capital Outlay	0	0	487,618	487,618
Classroom Facilities Maintenance	0	2,097,987	0	2,097,987
Other Purposes	0	0	17,568	17,568
Total Restricted	<u>0</u>	<u>2,097,987</u>	<u>1,111,332</u>	<u>3,209,319</u>
Committed for:				
Underground Storage Tanks	<u>11,000</u>	<u>0</u>	<u>0</u>	<u>11,000</u>
Assigned for:				
Encumbrances				
Instruction	23,765	0	0	23,765
Support Services	50,095	0	0	50,095
Educational Activities	107	0	0	107
Subsequent Year Appropriations	4,000	0	0	4,000
Uniform Supplies	30,761	0	0	30,761
Public School Support	47,946	0	0	47,946
Latchkey Program	39,229	0	0	39,229
Total Assigned	<u>195,903</u>	<u>0</u>	<u>0</u>	<u>195,903</u>
Unassigned	<u>1,513,327</u>	<u>0</u>	<u>(159,906)</u>	<u>1,353,421</u>
<i>Total Fund Balance</i>	<u>\$ 1,724,576</u>	<u>\$ 2,097,987</u>	<u>\$ 951,426</u>	<u>\$ 4,773,989</u>

Crestwood Local School District
Portage County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>		
School District's proportion of the net pension liability	0.08390501%	0.08390501%
School District's proportionate share of the net pension liability	\$ 20,408,602	\$ 24,310,593
School District's covered-employee payroll	\$ 8,883,946	\$ 8,814,854
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	229.72%	275.79%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>		
School District's proportion of the net pension liability	0.10577100%	0.10577100%
School District's proportionate share of the net pension liability	\$ 5,353,010	\$ 6,289,862
School District's covered-employee payroll	\$ 3,443,153	\$ 3,307,269
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	155.47%	190.18%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

Crestwood Local School District
Portage County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 1,115,953	\$ 1,154,913	\$ 1,145,931	\$ 1,241,353
Contributions in Relation to the Contractually Required Contribution	<u>(1,115,953)</u>	<u>(1,154,913)</u>	<u>(1,145,931)</u>	<u>(1,241,353)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 7,971,093	\$ 8,883,946	\$ 8,814,854	\$ 9,548,869
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
<i>School Employees Retirement System (SERS)</i>				
Contractually required contribution	\$ 528,777	\$ 477,221	\$ 457,726	\$ 452,986
Contributions in relation to the contractually required contribution	<u>(528,777)</u>	<u>(477,221)</u>	<u>(457,726)</u>	<u>(452,986)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 4,011,965	\$ 3,443,153	\$ 3,307,269	\$ 3,367,926
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,221,931	\$ 1,243,322	\$ 1,255,861	\$ 1,221,655	\$ 1,209,825	\$ 1,257,375
<u>(1,221,931)</u>	<u>(1,243,322)</u>	<u>(1,255,861)</u>	<u>(1,221,655)</u>	<u>(1,209,825)</u>	<u>(1,257,375)</u>
<u>\$ 0</u>					
\$ 9,399,469	\$ 9,564,015	\$ 9,660,469	\$ 9,397,346	\$ 9,306,346	\$ 9,672,115
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 404,312	\$ 585,209	\$ 310,266	\$ 307,795	\$ 318,249	\$ 352,423
<u>(404,312)</u>	<u>(585,209)</u>	<u>(310,266)</u>	<u>(307,795)</u>	<u>(318,249)</u>	<u>(352,423)</u>
<u>\$ 0</u>					
\$ 3,216,484	\$ 4,322,075	\$ 3,153,110	\$ 3,134,369	\$ 2,979,860	\$ 3,331,030
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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Crestwood Local School District
Portage County, Ohio
Schedule of Expenditures of Federal Awards - Cash Basis
For the Fiscal Year Ended June 30, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Number	CFDA Number	Program Year	Federal Receipts	Federal Disbursements
<u>U.S. Department of Education</u>					
<i>(Received Directly from the U.S. Department of Education)</i>					
Elementary and Secondary School Counseling (ESC) Program Grant	N/A	84.215E	2015	\$ 50,000	\$ 48,442
<i>(Passed Through Ohio Department of Education):</i>					
Title I Grants to Local Educational Agencies	049189-3M00-2014	84.010	2014	52,181	52,181
Title I Grants to Local Educational Agencies	049189-3M00-2015	84.010	2015	294,862	288,818
Title I Grants to Local Educational Agencies	049189-3M00-2015	84.010	2015	55,474	55,473
Total Title I Grants to Local Educational Agencies				<u>402,517</u>	<u>396,472</u>
Special Education Cluster:					
Special Education_Grants to States	049189-3M20-2014	84.027	2014	60,961	64,119
Special Education_Grants to States	049189-3M20-2015	84.027	2015	366,100	359,727
Special Education_Preschool Grants	049189-3C50-2015	84.173	2015	7,068	6,675
Total Special Education Cluster				<u>434,129</u>	<u>430,521</u>
Improving Teacher Quality State Grants	049189-3Y60-2014	84.367	2014	8,866	9,236
Improving Teacher Quality State Grants	049189-3Y60-2015	84.367	2015	59,789	65,345
Total Improving Teacher Quality State Grants				<u>68,655</u>	<u>74,581</u>
Total U.S. Department of Education				<u>955,301</u>	<u>950,016</u>
<u>U.S. Department of Agriculture</u>					
<i>(Passed Through Ohio Department of Education):</i>					
Child Nutrition Cluster:					
Non-Cash Assistance:					
National School Lunch Program	N/A	10.555	N/A	4,500	4,500
Cash Assistance:					
School Breakfast Program	049189-3L70-2015	10.553	N/A	39,927	39,927
National School Lunch Program	049189-3L60-2015	10.555	N/A	203,679	203,679
Total Child Nutrition Cluster				<u>248,106</u>	<u>248,106</u>
Total U.S. Department of Agriculture				<u>248,106</u>	<u>248,106</u>
Total Federal Assistance				<u>\$ 1,203,407</u>	<u>\$ 1,198,122</u>

See accompanying notes to this schedule

**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Crestwood 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 respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Crestwood Local School District
Portage County
4565 West Prospect Street
Mantua, Ohio 44255

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestwood Local School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date and additionally, the District restated their capital assets due to a re-evaluation.

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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2016



Dave Yost • Auditor of State

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

Crestwood Local School District
Portage County
4565 West Prospect Street
Mantua, Ohio 44255

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Crestwood Local School District'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 Crestwood Local School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Crestwood 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, 2015.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2016

**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<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	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: Special Education_Grants to States CFDA #84.027 Special Education_Preschool Grants CFDA #84.173
<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 AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CRESTWOOD LOCAL SCHOOL DISTRICT

PORTAGE 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
APRIL 12, 2016**