



Dave Yost • Auditor of State

**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY
JUNE 30, 2017**

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**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Crestwood Local School District
Portage County
11260 Bowen Road
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 the Crestwood Local School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2017, 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 Districts 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestwood Local School District, Portage County, Ohio, as of June 30, 2017, 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.

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 Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information 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 16, 2018, 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 16, 2018

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Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The discussion and analysis of the Crestwood Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. 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 2017 are as follows:

- Net position decreased \$1,014,924, which represents a 10 percent decrease from 2016.
- Capital assets decreased \$2,081,521 during fiscal year 2017.
- During the fiscal year, outstanding debt decreased from \$5,714,565 to \$5,027,343 due to principal payments made by the School District.

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 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 2017?" 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, 2017
(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 16. 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 22 and 23. 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, 2017
(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 2017 compared to 2016:

Table 1
Net Position

	Governmental Activities	
	2017	2016
Assets		
Current and Other Assets	\$ 16,626,719	\$ 15,545,224
Capital Assets	16,502,317	18,583,838
<i>Total Assets</i>	33,129,036	34,129,062
Deferred Outflows of Resources		
Deferred Charges on Refunding Pension	70,359	80,783
	6,419,567	2,740,825
<i>Total Deferred Outflows of Resources</i>	6,489,926	2,821,608
Liabilities		
Current and Other Liabilities	2,379,158	2,443,206
Long-Term Liabilities:		
Due Within One Year	776,020	764,571
Due in More Than One Year		
Net Pension Liability	34,351,009	28,248,173
Other Amounts	5,680,999	6,389,583
<i>Total Liabilities</i>	43,187,186	37,845,533
Deferred Inflows of Resources		
Property Taxes	6,329,523	6,324,688
Pension	1,056,231	2,719,503
<i>Total Deferred Inflows of Resources</i>	7,385,754	9,044,191
Net Position		
Net Investment in Capital Assets	11,671,515	13,043,922
Restricted	3,659,328	3,589,680
Unrestricted	(26,284,821)	(26,572,656)
<i>Total Net Position</i>	\$ (10,953,978)	\$ (9,939,054)

During a prior fiscal year, 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, 2017
(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 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 of resources.

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.

Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

At year end, capital assets represented 50 percent of total assets. Capital assets include land, land improvements, buildings, furniture and equipment and vehicles. The net investment in capital assets was \$11,671,515 at June 30, 2017. 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, \$3,659,328 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$26,284,821, which is primarily caused by GASB 68.

The \$5,405,701 increase in long-term liabilities, \$3,668,318 increase in deferred outflows of resources and the \$1,658,437 decrease in deferred inflows of resources related to pension were primarily caused by changes related to net pension liability during 2017.

Current assets increased (primarily pooled cash and investments) \$1,081,495 during fiscal year 2017 due to revenues outpacing expenditures.

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Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(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 2017 and 2016.

Table 2
Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,425,858	\$ 1,476,677
Operating Grants	1,741,706	2,063,233
<i>Total Program Revenues</i>	<u>4,167,564</u>	<u>3,539,910</u>
<i>General Revenues:</i>		
Property Taxes	9,196,230	8,656,566
Grants and Entitlements Not Restricted	10,664,510	11,465,100
Other	85,223	155,115
<i>Total General Revenues</i>	<u>19,945,963</u>	<u>20,276,781</u>
<i>Total Revenues</i>	<u>24,113,527</u>	<u>23,816,691</u>
Program Expenses		
<i>Instruction:</i>		
Regular	10,181,389	8,628,056
Special	2,939,601	2,796,566
Vocational	156,270	122,095
Student Intervention Services	702,841	431,228
Other	1,197,823	1,207,413
<i>Support Services:</i>		
Pupils	1,306,782	1,200,337
Instructional Staff	616,765	669,729
Board of Education	26,293	20,889
Administration	1,918,077	1,882,015
Fiscal	633,638	625,510
Business	53,514	44,552
Operation and Maintenance of Plant	1,890,604	1,777,214
Pupil Transportation	1,467,646	1,481,465
Central	413,605	371,288
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	616,637	595,812
Community Services	72,475	65,823
Extracurricular Activities	750,641	698,441
<i>Debt Service:</i>		
Interest and Fiscal Charges	183,850	193,501
<i>Total Expenses</i>	<u>25,128,451</u>	<u>22,811,934</u>
<i>Increase (Decrease) in Net Position</i>	(1,014,924)	1,004,757
<i>Net Position at Beginning of Year</i>	<u>(9,939,054)</u>	<u>(10,943,811)</u>
<i>Net Position at End of Year</i>	<u>\$ (10,953,978)</u>	<u>\$ (9,939,054)</u>

Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Program revenues saw a \$627,654 increase due to an increase of \$949,181 in charges for services, due to increases in tuition revenue from the state, offset by a decrease of \$321,527 in operating grants. The School District saw a \$1,553,333 increase in regular instruction, most significantly due to pension expense related to GASB 68.

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	
	2017	2016	2017	2016
Instruction:				
Regular	\$ 10,181,389	\$ 8,628,056	\$ 9,000,485	\$ 7,638,516
Special	2,939,601	2,796,566	950,848	1,520,343
Vocational	156,270	122,095	140,083	89,653
Student Intervention Services	702,841	431,228	702,841	431,228
Other	1,197,823	1,207,413	1,197,823	1,207,413
Support Services:				
Pupils	1,306,782	1,200,337	1,195,193	887,979
Instructional Staff	616,765	669,729	616,204	669,343
Board of Education	26,293	20,889	26,293	20,889
Administration	1,918,077	1,882,015	1,918,077	1,882,015
Fiscal	633,638	625,510	633,638	625,510
Business	53,514	44,552	53,514	44,552
Operation and Maintenance of Plant	1,890,604	1,777,214	1,874,101	1,758,785
Pupil Transportation	1,467,646	1,481,465	1,463,329	1,340,522
Central	413,605	371,288	406,405	364,088
Operation of Non-Instructional Services:				
Food Service Operations	616,637	595,812	33,899	113,746
Community Services	72,475	65,823	44,527	20,355
Extracurricular Activities	750,641	698,441	519,777	463,586
Debt Service:				
Interest and Fiscal Charges	183,850	193,501	183,850	193,501
<i>Total Expenses</i>	\$ 25,128,451	\$ 22,811,934	\$ 20,960,887	\$ 19,272,024

The dependence upon general revenues for governmental activities is apparent. Over 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 16. These funds are accounted for using the modified accrual basis of accounting.

Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The general fund's net change in fund balance for fiscal year 2017 was an increase of \$779,981. This was primarily due to increases in tuition and fees revenue from the state through foundation settlements.

The fund balance of the classroom facilities maintenance fund increased \$110,723.

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 2017, the School District amended 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 of \$20,764,219 was higher than the final budget basis revenue by \$435,914 most significantly due to increases in tuition and fees revenue from the state through foundation settlements.

Final expenditure appropriations of \$20,284,902 were \$141,370 higher than the actual expenditures of \$20,143,532 as cost savings were recognized for instruction and support services throughout the year. Original expenditure appropriations of \$20,068,924 were \$215,978 lower than the final expenditure appropriations of \$20,284,902.

There were no significant variances to discuss within other financing sources and uses.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$16,502,317 invested in capital assets. Table 4 shows fiscal year 2017 balances compared with 2016.

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

	Governmental Activities	
	2017	2016
Land	\$ 801,286	\$ 1,529,042
Land Improvements	1,615,311	1,831,580
Buildings	12,517,713	12,979,914
Furniture and Fixtures	1,031,613	1,552,134
Vehicles	536,394	691,168
<i>Totals</i>	\$ 16,502,317	\$ 18,583,838

Crestwood Local School District
Portage County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The \$2,081,521 decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2017, the School District had \$5,027,343 in debt outstanding. See Note 9 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2017	2016
General Obligation Bonds	\$ 3,735,343	\$ 4,207,165
Lease Obligations	1,292,000	1,507,400
<i>Total</i>	\$ 5,027,343	\$ 5,714,565

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, 11260 Bowen Road, Mantua, Ohio 44255.

Crestwood Local School District
Portage County, Ohio
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 7,682,911
Receivables:	
Intergovernmental	686,924
Property Taxes	8,256,884
Nondepreciable Capital Assets	801,286
Depreciable Capital Assets (Net)	15,701,031
<i>Total Assets</i>	33,129,036
 Deferred Outflows of Resources	
Deferred Charges on Refunding	70,359
Pension	6,419,567
<i>Total Deferred Outflows of Resources</i>	6,489,926
 Liabilities	
Accounts Payable	75,380
Accrued Wages and Benefits	1,808,184
Intergovernmental Payable	444,537
Matured Compensated Absences Payable	38,400
Accrued Interest Payable	12,657
Long Term Liabilities:	
Due Within One Year	776,020
Due In More Than One Year:	
Net Pension Liability (See Note 12)	34,351,009
Other Amonts Due in More Than One Year	5,680,999
<i>Total Liabilities</i>	43,187,186
 Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	6,329,523
Pension	1,056,231
<i>Total Deferred Inflows of Resources</i>	7,385,754
 Net Position	
Net Investment in Capital Assets	11,671,515
Restricted For:	
Capital Outlay	282,701
Debt Service	666,958
Classroom Facilities Maintenance	2,385,185
State Funded Programs	7,747
Federally Funded Programs	196,506
Other Purposes	120,231
Unrestricted	(26,284,821)
<i>Total Net Position</i>	\$ (10,953,978)

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, 2017

	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	\$ 10,181,389	\$ 1,005,974	\$ 174,930	\$ (9,000,485)
Special	2,939,601	886,164	1,102,589	(950,848)
Vocational	156,270	0	16,187	(140,083)
Student Intervention Services	702,841	0	0	(702,841)
Other	1,197,823	0	0	(1,197,823)
Support Services:				
Pupils	1,306,782	0	111,589	(1,195,193)
Instructional Staff	616,765	561	0	(616,204)
Board of Education	26,293	0	0	(26,293)
Administration	1,918,077	0	0	(1,918,077)
Fiscal	633,638	0	0	(633,638)
Business	53,514	0	0	(53,514)
Operation and Maintenance of Plant	1,890,604	0	16,503	(1,874,101)
Pupil Transportation	1,467,646	0	4,317	(1,463,329)
Central	413,605	0	7,200	(406,405)
Operation of Non-Instructional Services:				
Food Service Operations	616,637	276,547	306,191	(33,899)
Community Services	72,475	27,948	0	(44,527)
Extracurricular Activities	750,641	228,664	2,200	(519,777)
Debt Service:				
Interest and Fiscal Charges	183,850	0	0	(183,850)
Total	\$ 25,128,451	\$ 2,425,858	\$ 1,741,706	(20,960,887)

General Revenues

Property Taxes Levied for:

General Purposes	8,101,083
Debt Service	540,671
Capital Outlay	391,736
Classroom Facilities Maintenance	162,740
Grants and Entitlements Not Restricted to Specific Programs	10,664,510
Investment Earnings	11,441
Miscellaneous	73,782
Total General Revenues	19,945,963

Change in Net Position (1,014,924)

Net Position Beginning of Year (9,939,054)

Net Position End of Year \$ (10,953,978)

See accompanying notes to the basic financial statements.

Crestwood Local School District
Portage County, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 4,383,847	\$ 2,361,508	\$ 937,556	\$ 7,682,911
Receivables:				
Interfund	14,357	0	0	14,357
Intergovernmental	393,073	0	293,851	686,924
Property Taxes	7,199,985	114,311	942,588	8,256,884
Advances Due From Other Funds	5,871	0	0	5,871
<i>Total Assets</i>	<u>\$ 11,997,133</u>	<u>\$ 2,475,819</u>	<u>\$ 2,173,995</u>	<u>\$ 16,646,947</u>
Liabilities				
Accounts Payable	\$ 6,105	\$ 3,687	\$ 65,588	\$ 75,380
Accrued Wages and Benefits	1,670,203	0	137,981	1,808,184
Intergovernmental Payable	414,940	0	29,597	444,537
Matured Compensated Absences Payable	38,400	0	0	38,400
Interfund Payable	0	0	14,357	14,357
Advances Due to Other Funds	0	0	5,871	5,871
<i>Total Liabilities</i>	<u>2,129,648</u>	<u>3,687</u>	<u>253,394</u>	<u>2,386,729</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	5,520,823	86,947	721,753	6,329,523
Unavailable Revenue	579,991	2,889	244,012	826,892
<i>Total Deferred Inflows of Resources</i>	<u>6,100,814</u>	<u>89,836</u>	<u>965,765</u>	<u>7,156,415</u>
Fund Balances				
Nonspendable	10,962	0	0	10,962
Restricted	0	2,382,296	1,063,575	3,445,871
Committed	11,000	0	0	11,000
Assigned	171,312	0	0	171,312
Unassigned	3,573,397	0	(108,739)	3,464,658
<i>Total Fund Balances</i>	<u>3,766,671</u>	<u>2,382,296</u>	<u>954,836</u>	<u>7,103,803</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 11,997,133</u>	<u>\$ 2,475,819</u>	<u>\$ 2,173,995</u>	<u>\$ 16,646,947</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, 2017

Total Governmental Fund Balances		\$ 7,103,803
 <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.		16,502,317
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 219,628	
Excess Costs	393,073	
Property Taxes	214,191	826,892
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(12,657)
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.		70,359
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	6,419,567	
Deferred Inflows - Pension	(1,056,231)	
Net Pension Liability	(34,351,009)	(28,987,673)
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	(3,440,000)	
Capital Appreciation Bonds	(39,978)	
Bond Premium	(129,183)	
Accretion of Interest - Capital Appreciation Bonds	(126,182)	
Lease Purchase	(1,292,000)	
Early Retirement Incentive	(39,800)	
Compensated Absences	(1,389,876)	(6,457,019)
<i>Net Position of Governmental Activities</i>		\$ (10,953,978)

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, 2017

	General	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 7,088,999	\$ 162,877	\$ 880,557	\$ 8,132,433
Intergovernmental	11,938,011	51,353	1,508,792	13,498,156
Investment Income	11,441	0	0	11,441
Tuition and Fees	1,648,091	0	0	1,648,091
Extracurricular Activities	111,199	0	95,364	206,563
Rentals	37,530	0	0	37,530
Charges for Services	27,948	0	236,010	263,958
Contributions and Donations	11,175	0	103,981	115,156
Miscellaneous	49,465	0	5,042	54,507
<i>Total Revenues</i>	<u>20,923,859</u>	<u>214,230</u>	<u>2,829,746</u>	<u>23,967,835</u>
Expenditures				
Current:				
Instruction:				
Regular	8,092,700	0	163,727	8,256,427
Special	2,235,631	0	601,332	2,836,963
Vocational	169,454	0	0	169,454
Student Intervention Services	677,457	0	0	677,457
Other	1,186,732	0	0	1,186,732
Support Services:				
Pupils	965,310	0	315,123	1,280,433
Instructional Staff	158,046	0	0	158,046
Board of Education	25,464	0	0	25,464
Administration	1,836,682	0	5,700	1,842,382
Fiscal	584,004	2,259	18,548	604,811
Business	53,514	0	0	53,514
Operation and Maintenance of Plant	1,628,064	83,028	16,240	1,727,332
Pupil Transportation	1,256,351	0	1,040	1,257,391
Central	394,077	18,220	0	412,297
Extracurricular Activities	502,135	0	188,086	690,221
Operation of Non-Instructional Services:				
Food Service Operations	7,424	0	563,420	570,844
Community Services	67,648	0	0	67,648
Other	0	0	0	0
Capital Outlay	0	0	294,755	294,755
Debt Service:				
Principal Retirement	215,400	0	485,000	700,400
Interest and Fiscal Charges	38,528	0	123,106	161,634
<i>Total Expenditures</i>	<u>20,094,621</u>	<u>103,507</u>	<u>2,776,077</u>	<u>22,974,205</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>829,238</u>	<u>110,723</u>	<u>53,669</u>	<u>993,630</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	19,274	0	0	19,274
Transfers In	0	0	68,531	68,531
Transfers Out	(68,531)	0	0	(68,531)
<i>Total Other Financing Sources (Uses)</i>	<u>(49,257)</u>	<u>0</u>	<u>68,531</u>	<u>19,274</u>
<i>Net Change in Fund Balance</i>	779,981	110,723	122,200	1,012,904
<i>Fund Balances Beginning of Year</i>	<u>2,986,690</u>	<u>2,271,573</u>	<u>832,636</u>	<u>6,090,899</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,766,671</u>	<u>\$ 2,382,296</u>	<u>\$ 954,836</u>	<u>\$ 7,103,803</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, 2017*

Net Change in Fund Balances - Total Governmental Funds	\$	1,012,904
 <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.		
Capital Asset Additions	\$ 168,616	
Current Year Depreciation	<u>(1,519,942)</u>	(1,351,326)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(730,195)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(107,617)	
Excess Costs	232,143	
Property Taxes	<u>1,892</u>	126,418
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	485,000	
Lease Purchase	<u>215,400</u>	700,400
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,641,286
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(2,402,108)
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	1,386	
Amortization of Premium on Bonds	19,138	
Amortization of Refunding Loss	<u>(10,424)</u>	10,100
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	19,713	
Early Retirement Incentive (net change)	<u>(9,800)</u>	9,913
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>(32,316)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>(1,014,924)</u></u>

See accompanying notes to the basic financial statements.

Cresetewood Local School District
Portage, County Ohio
Statement of Receipts, Disbursements and Changes in
Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 20,269,165	\$ 20,328,305	\$ 20,764,219	\$ 435,914
Disbursements and Other Financing Uses	<u>20,068,924</u>	<u>20,284,902</u>	<u>20,143,532</u>	<u>141,370</u>
Net Change in Fund Balance	200,241	43,403	620,687	577,284
<i>Fund Balance Beginning of Year</i>	3,459,806	3,459,806	3,459,806	0
Prior Year Encumbrances Appropriated	<u>128,476</u>	<u>128,476</u>	<u>128,476</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 3,788,523</u>	<u>\$ 3,631,685</u>	<u>\$ 4,208,969</u>	<u>\$ 577,284</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Portage County, Ohio
Statement of Receipts, Disbursements and Changes in
Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Classroom Facilities Maintenance
For Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 211,837	\$ 212,264	\$ 213,342	\$ 1,078
Disbursements and Other Financing Uses	<u>83,000</u>	<u>106,648</u>	<u>106,648</u>	<u>0</u>
Net Change in Fund Balance	128,837	105,616	106,694	1,078
<i>Fund Balance Beginning of Year</i>	2,242,706	2,242,706	2,242,706	0
Prior Year Encumbrances Appropriated	<u>5,280</u>	<u>5,280</u>	<u>5,280</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,376,823</u>	<u>\$ 2,353,602</u>	<u>\$ 2,354,680</u>	<u>\$ 1,078</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, 2017

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 0	\$ 114,561
Cash and Cash Equivalents in Segregated Accounts	44,652	0
<i>Total Assets</i>	44,652	\$ 114,561
Liabilities		
Due to Others	0	\$ 114,561
Net Position		
Held in Trust for Scholarships	\$ 44,652	

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, 2017

	Private Purpose Trust
Additions	
Gifts and Donations	\$ 100
Investment Earnings	320
	420
<i>Total Additions</i>	<i>420</i>
Deductions	
Payments in Accordance with Trust Agreements	992
	(572)
<i>Change in Net Position</i>	<i>(572)</i>
<i>Net Position Beginning of Year</i>	<i>45,224</i>
<i>Net Position End of Year</i>	<i>\$ 44,652</i>

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, 2017

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, 2017

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 \$66,489 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 \$3,118,967 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, 2017

Classroom Facilities Maintenance Fund The classroom facilities maintenance 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.

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 12.

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, revenue in lieu of taxes, pension, and unavailable revenue. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources 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 12).

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 2017. 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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The School District has segregated bank accounts for monies held separately from the School District's central bank account for scholarships. These depository accounts are presented on the financial statements as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District's treasury.

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 2017 amounted to a loss of \$11,441 which includes \$5,289 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. 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 acquisition 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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H. Interfund Balances

On fund financial statements, long-term interfund loans are classified as “advances due to/from other funds.” 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.

I. 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, 2017, 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.

J. 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.

K. 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, compensated absences and net pension liability 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.

L. 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.

M. 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, 2017, 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.

N. 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.

O. 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.

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

For the fiscal year ended June 30, 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

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GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School District's financial statements as the School District does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 3 – ACCOUNTABILITY

Fund balances at June 30, 2017 included the following individual fund deficits:

	<u>Deficit</u> <u>Fund Balance</u>
Nonmajor Governmental Funds:	
Food Service	\$ 68,040
Title I	20,976
Improving Teacher Quality	11,968
Miscellaneous Federal Grants	7,755

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.

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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;
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);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed forty percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate note 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.

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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 2017, 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 \$3,720 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."

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all the School District deposits was \$4,746,029. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2017, \$4,082,158 of the School District's bank balance of \$4,832,158 was exposed to custodial risk as discussed below, while \$750,000 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, 2017, the School District had the following investments and maturities:

Moody's Credit Rating	Investment	Measurement Amount	Investment Maturities in Months			% of Investments
			0-12	13-36	Over 36	
Aaa	Federal National Mortgage Association	300,453	\$ 0	\$ 154,450	\$ 146,003	9.72%
Aaa	Federal Home Loan Mortgage	884,638	0	557,492	327,146	28.60%
Aa2	Negotiable Certificates of Deposit	1,178,736	211,334	967,402	0	38.12%
Aaa	Money Market Funds	9,172	9,172	0	0	0.30%
P-1	Commercial Paper	719,376	719,376	0	0	23.26%
	Total	<u>\$ 3,092,375</u>	<u>\$ 939,882</u>	<u>\$1,679,344</u>	<u>\$473,149</u>	<u>100.00%</u>

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The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2017. All investments of the School District are valued using quoted market prices (Level 1 inputs).

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.

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, 2017 is included in the table above.

NOTE 5 – INTERFUND ACTIVITY

A. Interfund Balances

As of June 30, 2017 receivables and payables that resulted from cash advances from the general fund to other funds were as follows:

	Interfund Receivable	Interfund Payable
Fund:		
General	\$ 14,357	\$ 0
Other Governmental		
Other Grants	0	3,200
Special Education	0	468
IDEA-II A	0	2,934
Title II D	0	7,755
	\$ 14,357	\$ 14,357
Total	\$ 14,357	\$ 14,357

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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, 2017 are reported on the statement of net position.

During fiscal year 2017, outstanding advances of \$5,871 from the general fund to the food service fund were reclassified by the School District to long-term. These long-term advances are presented as Advances Due To/From Other Funds on the Balance Sheet. The entire amount was outstanding at June 30, 2017.

B. Interfund Transfers

During fiscal year 2017, the General Fund transferred \$773 and \$67,758 to the Food Service Fund and the Athletics Fund, respectively, to cover expenditures.

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.

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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 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.

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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, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 in the general, classroom facilities, bond retirement and permanent improvement funds was \$1,492,244, \$24,475, \$118,494, and \$77,957, respectively. The amount available for advance at June 30, 2016, in the general, classroom facilities, bond retirement and permanent improvement funds was \$1,440,470, \$23,587, \$115,856, and \$74,917, 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, 2017 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.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half		2017 First-Half	
	Amount	Percent	Amount	Percent
Real Estate	\$ 286,857,005	95.27%	\$287,801,110	94.94%
Public Utility Personal Property	14,234,120	4.73%	15,323,360	5.06%
Total	\$ 301,091,125	100.00%	\$303,124,470	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$ 51.71		\$ 51.65	

NOTE 7 – RECEIVABLES

Receivables at June 30, 2017 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.

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2017</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,529,042	\$ 0	\$ (727,756)	\$ 801,286
<i>Capital Assets, being depreciated:</i>				
Land improvements	5,734,217	31,436	(7,541)	5,758,112
Buildings	23,817,317	49,490	(239,474)	23,627,333
Furniture and equipment	4,544,070	87,690	(9,543)	4,622,217
Vehicles	2,882,616	0	(177,763)	2,704,853
Total Capital Assets, being depreciated	<u>36,978,220</u>	<u>168,616</u>	<u>(434,321)</u>	<u>36,712,515</u>
<i>Less Accumulated Depreciation:</i>				
Land improvements	(3,902,637)	(246,766)	6,602	(4,142,801)
Buildings	(10,837,403)	(510,191)	237,974	(11,109,620)
Furniture and equipment	(2,991,936)	(608,211)	9,543	(3,590,604)
Vehicles	(2,191,448)	(154,774)	177,763	(2,168,459)
Total Accumulated Depreciation	<u>(19,923,424)</u>	<u>(1,519,942)</u>	<u>431,882</u>	<u>(21,011,484)</u>
Total Capital Assets being depreciated, net	<u>17,054,796</u>	<u>(1,351,326)</u>	<u>(2,439)</u>	<u>15,701,031</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 18,583,838</u>	<u>\$ (1,351,326)</u>	<u>\$ (730,195)</u>	<u>\$ 16,502,317</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 742,286
Special	873
Support Services:	
Pupils	375
Instructional Staff	461,613
Administration	3,916
Operation and Maintenance of Plant	91,873
Pupil Transportation	156,195
Extracurricular Activities	37,386
Food Service Operations	25,425
	<u>\$ 1,519,942</u>

Crestwood Local School District
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NOTE 9 – LONG-TERM OBLIGATIONS

During the fiscal year 2017 the following changes occurred in governmental activities long-term obligations:

	Outstanding Balance 6/30/2016	Additions	Deductions	Outstanding Balance 6/30/2017	Amount Due in One Year
General Obligation Bonds:					
2011 Refunding Bonds					
Serial and Term Bonds 2.00-4.00%	\$ 3,925,000	\$ 0	\$ (485,000)	\$ 3,440,000	\$ 490,000
Capital Appreciation Bonds	39,978	0	0	39,978	0
Accreted Interest	93,866	32,316	0	126,182	0
Unamortized Premium	148,321	0	(19,138)	129,183	0
Total General Obligations Bonds	<u>4,207,165</u>	<u>32,316</u>	<u>(504,138)</u>	<u>3,735,343</u>	<u>490,000</u>
Net Pension Liability:					
STRS	22,394,830	4,086,773	0	26,481,603	0
SERS	5,853,343	2,016,063	0	7,869,406	0
Total Net Pension Liability	<u>28,248,173</u>	<u>6,102,836</u>	<u>0</u>	<u>34,351,009</u>	<u>0</u>
Other Long-Term Obligations:					
Lease Purchase	1,507,400	0	(215,400)	1,292,000	221,200
Compensated Absences	1,409,589	18,775	(38,488)	1,389,876	25,020
Early Retirement Incentive	30,000	15,800	(6,000)	39,800	39,800
Total Other Long Term Obligations	<u>2,946,989</u>	<u>34,575</u>	<u>(259,888)</u>	<u>2,721,676</u>	<u>286,020</u>
Total	<u>\$ 35,402,327</u>	<u>\$ 6,169,727</u>	<u>\$ (764,026)</u>	<u>\$ 40,808,028</u>	<u>\$ 776,020</u>

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.

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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.

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, 2023. 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 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 bond issue consists of serial and capital appreciation bonds. The serial bonds were issued with an interest rate of 2.0-4.0 percent.

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.

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 while construction was being completed. The proceeds were 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.

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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
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	525,000	75,475	239,400	14,603	0	0	764,400	90,078
2022	545,000	23,400	245,800	8,216	0	0	790,800	31,616
2023 - 2024	1,145,000	79,600	125,300	1,660	0	0	1,270,300	81,260
Total	<u>\$3,440,000</u>	<u>\$474,775</u>	<u>\$1,292,000</u>	<u>\$ 104,967</u>	<u>\$ 39,978</u>	<u>\$ 240,022</u>	<u>\$ 4,771,978</u>	<u>\$ 819,764</u>

NOTE 10 – OPERATING LEASES

The School District leases 53 printers and copier machines under a non-cancelable lease. The School District disbursed \$50,436 to pay lease costs for the fiscal year ended June 30, 2017. Future lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2018	50,436
2019	50,436
2020	50,436
	<u>\$ 151,308</u>

NOTE 11 – 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.

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.

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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; and insurance coverage has not been significantly reduced since the prior year.

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 2017.

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 12 – 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.

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.

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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.

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 30 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.

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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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District's contractually required contribution to SERS was \$469,390 for fiscal year 2017. Of this amount, \$26,718 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The 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 was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 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 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,171,896 for fiscal year 2017. Of this amount, \$173,779 is reported as an intergovernmental payable.

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

The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 26,481,603	\$ 7,869,406	\$ 34,351,009
Proportion of the Net Pension Liability:			
Current Measurement Date	0.07911329%	0.10751910%	
Prior Measurement Date	<u>0.08103184%</u>	<u>0.10258050%</u>	
Change in Proportionate Share	<u>-0.00191855%</u>	<u>0.00493860%</u>	
 Pension Expense	 \$ 1,564,971	 \$ 837,137	 \$ 2,402,108

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Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2017, 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	\$ 1,069,984	\$ 106,142	\$ 1,176,126
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,198,683	649,112	2,847,795
Changes of Assumptions	0	525,326	525,326
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	229,034	229,034
School District Contributions Subsequent to the Measurement Date	1,171,896	469,390	1,641,286
Total Deferred Outflows of Resources	<u>\$ 4,440,563</u>	<u>\$ 1,979,004</u>	<u>\$ 6,419,567</u>
Deferred Inflows of Resources			
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>\$ 960,148</u>	<u>\$ 96,083</u>	<u>\$ 1,056,231</u>

\$1,641,286 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	STRS	SERS	Total
2018	\$ 236,420	\$ 359,540	\$ 595,960
2019	236,420	359,074	595,494
2020	1,080,117	508,324	1,588,441
2021	755,562	186,593	942,155
	<u>\$ 2,308,519</u>	<u>\$ 1,413,531</u>	<u>\$ 3,722,050</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including Inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. A discount rate of 7.75 percent was used in the prior measurement period.

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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's Proportionate Share of the Net Pension Liability	\$ 10,418,603	\$ 7,869,406	\$ 5,735,622

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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 commences on the fifth anniversary of the 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 no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	Long Term Expected 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	100.00 %	7.61 %

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

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 as of June 30, 2016, 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	\$ 35,191,898	\$ 26,481,603	\$ 19,133,955

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's net pension liability is expected to be significant.

Note 13 - 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.

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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 2017, SERS did not allocate any employer contributions to the Health Care fund. 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 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$54,217.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was \$32,898. The full amount has been contributed for fiscal year 2015.

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.

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 years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care in the last three fiscal years.

NOTE 14 – 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.

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

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	\$ 779,981	\$ 110,723
Net Adjustment for Revenue Accruals	(5,517)	(888)
Net Adjustment for Expenditure Accruals	(72,054)	3,688
Funds Budgeted Elsewhere**	(28,063)	0
Adjustment for Encumbrances	(53,660)	(6,829)
Budget Basis	\$ 620,687	\$ 106,694

** 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, surround care and vending machine funds.

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 15 – 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, 2017, 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.

C. School District Funding

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE has finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the School District. These adjustments were insignificant for the School District for fiscal year 2017.

NOTE 16 – 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, 2017, the reserve activity was as follows:

	Capital Acquisition
Set Aside Reserve Balance June 30, 2016	\$ 0
Current Year Set Aside Requirement	322,820
Current year offsets	(600,999)
Total	\$ (278,179)
Balance carried forward to fiscal year 2018	\$ 0
Set Aside Restricted Balance as of June 30, 2017	\$ 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.

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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	\$ 5,091	\$ 0	\$ 0	\$ 5,091
Long Term Advances	5,871	0	0	5,871
	<u>10,962</u>	<u>0</u>	<u>0</u>	<u>10,962</u>
Restricted for:				
Debt Service	0	0	663,120	663,120
Capital Outlay	0	0	271,959	271,959
Classroom Facilities Maintenance	0	2,382,296	0	2,382,296
Other Purposes	0	0	128,496	128,496
Total Restricted	<u>0</u>	<u>2,382,296</u>	<u>1,063,575</u>	<u>3,445,871</u>
Committed for:				
Underground Storage Tanks	<u>11,000</u>	<u>0</u>	<u>0</u>	<u>11,000</u>
Assigned for:				
Encumbrances				
Instruction	28,964	0	0	28,964
Support Services	19,506	0	0	19,506
Educational Activities	216	0	0	216
Subsequent Year Appropriations	23,651	0	0	23,651
Uniform Supplies	59,831	0	0	59,831
Public School Support	34,140	0	0	34,140
Total Assigned	<u>171,312</u>	<u>0</u>	<u>0</u>	<u>171,312</u>
Unassigned	<u>3,573,397</u>	<u>0</u>	<u>(108,739)</u>	<u>3,464,658</u>
<i>Total Fund Balance</i>	<u>\$ 3,766,671</u>	<u>\$ 2,382,296</u>	<u>\$ 954,836</u>	<u>\$ 7,103,803</u>

Crestwood Local School District
Portage County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 18 – 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:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 59,347
Classroom Facilities Maintenance	6,829
Other Governmental	<u>91,234</u>
Total Governmental Funds	<u><u>\$ 157,410</u></u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net Pension Liability	0.07911329%	0.08103184%	0.08390501%	0.08390501%
School District's Proportionate Share of the Net Pension Liability	\$ 26,481,603	\$ 22,394,830	\$ 20,408,602	\$ 24,310,593
School District's Covered Payroll	\$ 8,039,021	\$ 7,971,093	\$ 8,883,946	\$ 8,814,854
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	329.41%	280.95%	229.72%	275.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net Pension Liability	0.10751910%	0.10258050%	0.10577100%	0.10577100%
School District's Proportionate Share of the Net Pension Liability	\$ 7,869,406	\$ 5,853,343	\$ 5,353,010	\$ 6,289,862
School District's Covered Payroll	\$ 3,529,407	\$ 4,011,965	\$ 3,443,153	\$ 3,307,269
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	222.97%	145.90%	155.47%	190.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 1,171,896	\$ 1,125,463	\$ 1,115,953	\$ 1,154,913
Contributions in Relation to the Contractually Required Contribution	<u>(1,171,896)</u>	<u>(1,125,463)</u>	<u>(1,115,953)</u>	<u>(1,154,913)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 8,370,686	\$ 8,039,021	\$ 7,971,093	\$ 8,883,946
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 469,390	\$ 494,117	\$ 528,777	\$ 477,221
Contributions in Relation to the Contractually Required Contribution	<u>(469,390)</u>	<u>(494,117)</u>	<u>(528,777)</u>	<u>(477,221)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 3,352,786	\$ 3,529,407	\$ 4,011,965	\$ 3,443,153
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,145,931	\$ 1,241,353	\$ 1,221,931	\$ 1,243,322	\$ 1,255,861	\$ 1,221,655
<u>(1,145,931)</u>	<u>(1,241,353)</u>	<u>(1,221,931)</u>	<u>(1,243,322)</u>	<u>(1,255,861)</u>	<u>(1,221,655)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 8,814,854	\$ 9,548,869	\$ 9,399,469	\$ 9,564,015	\$ 9,660,469	\$ 9,397,346
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 457,726	\$ 452,986	\$ 404,312	\$ 585,209	\$ 310,266	\$ 307,795
<u>(457,726)</u>	<u>(452,986)</u>	<u>(404,312)</u>	<u>(585,209)</u>	<u>(310,266)</u>	<u>(307,795)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 3,307,269	\$ 3,367,926	\$ 3,216,484	\$ 4,322,075	\$ 3,153,110	\$ 3,134,369
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Revenues	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Direct</i>				
Elementary and Secondary School Counseling (ESC) Program Grant	84.215E	N/A	\$ 300,977	\$ 315,122
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	049189-3M00-2016	40,403	\$ 35,456
Title I Grants to Local Educational Agencies - Delinquent	84.010	049189-3M00-2017	36,630	\$ 36,630
Title I Grants to Local Educational Agencies	84.010	049189-3M00-2017	184,925	\$ 183,279
Total Title I Grants to Local Education Agencies			<u>261,958</u>	<u>\$ 255,365</u>
Special Education_Grants to States	84.027	049189-3M20-2016	38,831	\$ 37,910
Special Education_Grants to States	84.027	049189-3M20-2017	317,861	\$ 314,204
Special Education_Preschool Grants	84.173	049189-3C50-2016	1,235	\$ 1,087
Special Education_Preschool Grants	84.173	049189-3C50-2017	6,137	\$ 6,106
Total Special Education Cluster			<u>364,064</u>	<u>\$ 359,307</u>
Improving Teacher Quality Grants	84.367	049189-3Y60-2016	8,003	\$ 5,396
Improving Teacher Quality Grants	84.367	049189-3Y60-2017	66,314	\$ 69,249
Total Improving Teacher Quality State Grants			<u>74,317</u>	<u>\$ 74,645</u>
<i>Passed Through Cuyahoga County ESC</i>				
English Language Acquisition Grant	84.365	N/A	470	\$ 470
Total U.S. Department of Education			<u>1,001,786</u>	<u>\$ 1,004,909</u>
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program	10.555	N/A	40,537	\$ 40,537
Cash Assistance:				
School Breakfast Program	10.553	049189-3L70-2017	70,330	\$ 70,330
National School Lunch Program	10.555	049189-3L60-2017	231,709	\$ 231,709
Total Child Nutrition Cluster			<u>342,576</u>	<u>\$ 342,576</u>
Total U.S. Department of Agriculture			<u>342,576</u>	<u>342,576</u>
Total Receipts and Expenditures of Federal Awards			<u>1,344,362</u>	<u>1,347,485</u>

The accompanying notes are an integral part of this schedule.

**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Crestwood Local School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

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

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2017 to 2018 programs:

Title I Grants to Local Educational Agencies	84.010	\$	56,876
Special Education - Grants to States	84.027	\$	21,029
Special Education Preschool Grants	84.173	\$	1,514



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

Crestwood Local School District
Portage County
11260 Bowen Road
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 the Crestwood Local School District, Portage County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2018.

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 opinion 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 report is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2018



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

Crestwood Local School District
Portage County
11260 Bowen Road
Mantua, Ohio 44255

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Crestwood Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Crestwood Local School District's major federal program for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each Major Federal Program

In our opinion, 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, 2017.

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 the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2018

**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control 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 weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster, #84.07 and 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	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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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
MARCH 29, 2018**