



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

EASTWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY

REGULAR AUDIT

For the Years Ended June 30, 2018 and 2017
Fiscal Years Audited Under GAGAS: 2018 and 2017

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OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Eastwood Local School District
120 East College Avenue
Pemberville, Ohio 43150

We have reviewed the *Independent Auditor's Report* of the Eastwood Local School District, Wood County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2016 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2019

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**Eastwood Local School District
Wood County**

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INDEPENDENT AUDITOR'S REPORT

Eastwood Local School District
Wood County
P.O. Box 837
120 East College Avenue
Pemberville, Ohio 43450

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 Eastwood Local School District, Wood County, Ohio (the District), as of and for the years ended June 30, 2018 and 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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 Eastwood Local School District, Wood County, Ohio, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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.



BHM CPA Group
Piketon, Ohio
December 18, 2018

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

Financial Highlights

- Net position of governmental activities increased \$8,304,479 from 2017.
- General revenues accounted for \$17,146,875 in revenue or 86.3 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,719,566 or 13.7 percent of total governmental revenues of \$19,866,441.
- The School District had \$11,561,962 in expenses related to governmental activities; only \$2,719,566 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and school foundation) of \$17,146,875 were adequate to provide for these programs, resulting in an increase in net position.
- The net pension and net other postemployment benefits (OPEB) liability combined decreased \$9,269,505 from 2017. This decrease is mainly due to better than expected investment returns.

Using this Annual Financial Report

This annual report consists of a series of financial statements, notes to those statements and the required supplementary information. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund and the classroom facilities capital improvement fund are the most significant funds.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Reporting the School District as a Whole

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

Statement of Net Position and the Statement of Activities While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2018?" 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.

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

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

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

Reporting the School District's Most Significant Funds

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

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

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

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

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

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

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the School District had an increase in net position of \$8,304,479.

Net investment in capital assets reported on the government-wide statements represents a large component of net position. Capital assets include land and construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles which 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.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
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A portion of the School District's net position, \$1,247,002 represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets; \$205,082 is restricted for debt service payments, \$96,637 is restricted for extracurricular, \$283,623 is restricted for other purposes and \$661,660 is restricted for capital projects. The remaining significant balance of government-wide unrestricted net position happens to be a deficit of (\$10,292,630).

Table 1 provides a summary of the School District's net position for 2018 and 2017:

Table 1 Net Position Governmental Activities		
	<u>2018</u>	<u>Restated 2017</u>
Assets:		
Current and other assets	\$ 19,269,081	\$ 23,180,925
Capital assets, net of depreciation	<u>23,485,885</u>	<u>19,885,290</u>
Total assets	<u>42,754,966</u>	<u>43,066,215</u>
Deferred outflows of resources:		
Pension	6,267,050	5,825,592
OPEB	<u>181,485</u>	<u>33,854</u>
Total deferred inflows of resources	<u>6,448,535</u>	<u>5,859,446</u>
Liabilities:		
Current liabilities	1,714,537	1,650,220
Long-term liabilities:		
Due with in one year	1,602,173	1,560,868
Due in more than one year:		
Net pension liability	18,700,109	26,769,532
Net OPEB liability	4,193,544	5,393,626
Other amounts due in more than one year	<u>10,219,029</u>	<u>11,541,322</u>
Total liabilities	<u>36,429,392</u>	<u>46,915,568</u>
Deferred inflows of resources:		
Property taxes	6,266,251	5,789,539
Pension	1,544,994	193,978
OPEB	<u>631,809</u>	<u>-</u>
Total deferred inflows of resources	<u>8,443,054</u>	<u>5,983,517</u>
Net position:		
Net investment in capital assets	13,376,683	8,682,891
Restricted	1,247,002	5,806,842
Unrestricted	<u>(10,292,630)</u>	<u>(18,463,157)</u>
Total net position	<u>\$ 4,331,055</u>	<u>\$ (3,973,424)</u>

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The net pension liability is the largest single liability reported by the School District at June 30, 2018. For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits other than pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

The School District's statements prepared on an accrual basis of accounting includes an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$1,386,348 to (\$3,973,424).

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$33,854 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$674,868.

In addition to the negative expense reported for OPEB, the School District is reporting a negative expense in the amount of \$5,882,008 for significant changes in the net pension liability for fiscal year 2018.

Table 2 shows change in net position for fiscal years 2018 and 2017.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 2
Governmental Activities

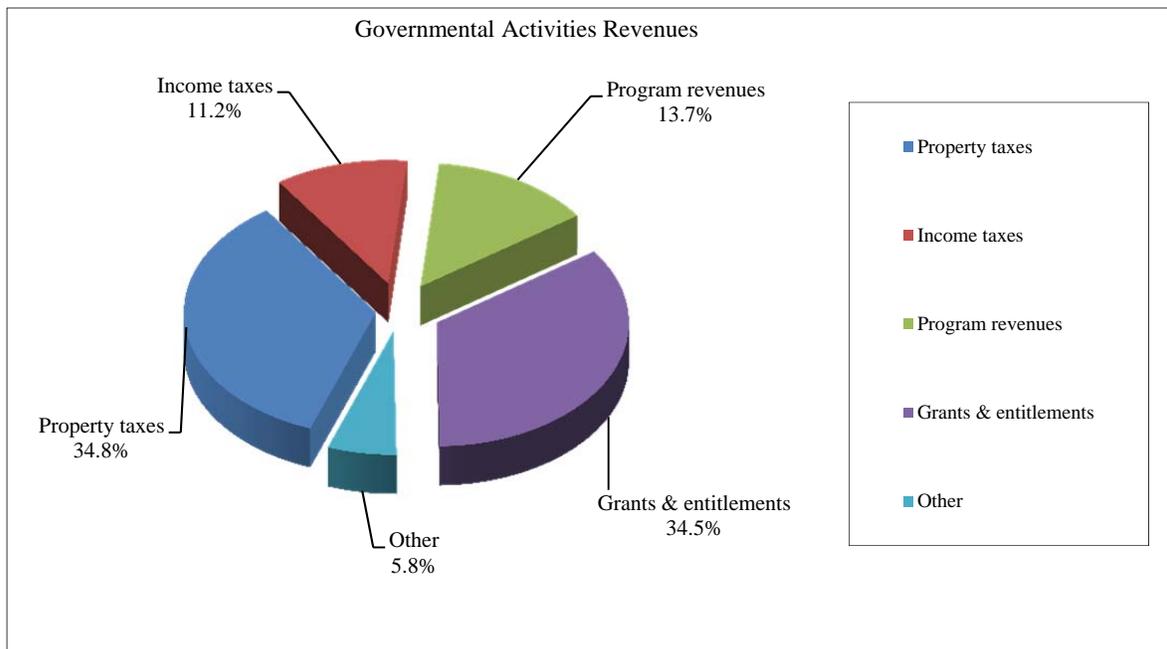
	2018	2017
Revenue:		
Program revenues:		
Charges for services and sales	\$ 1,814,404	\$ 1,679,691
Operating grants and contributions	901,535	874,805
Capital grants and contributions	3,627	47,824
General revenues:		
Property taxes	6,913,051	7,840,293
Income taxes	2,220,710	2,149,432
Grants and entitlements	6,850,564	6,843,590
Payment in lieu of taxes	873,804	869,433
Investment earnings	170,106	102,439
Gain on sale of capital assets	104,825	-
Miscellaneous	13,815	7,798
Total revenues	19,866,441	20,415,305
Expenses:		
Instruction:		
Regular	3,052,466	8,111,422
Special	1,653,609	2,076,170
Vocational	24,281	101,825
Adult continuing	-	197
Other	477,755	449,027
Support services:		
Pupils	202,762	628,934
Instructional staff	315,661	513,884
Board of education	55,071	55,643
Administration	166,589	1,833,424
Fiscal	630,907	1,546,118
Business	-	197
Operation and maintenance of plant	2,292,371	1,416,351
Pupil transportation	918,016	1,148,662
Central	256,476	296,539
Operation of non-instructional services	558,584	612,310
Extracurricular activities	638,882	940,377
Interest and fiscal charges	318,532	354,229
Total expenses	11,561,962	20,085,309
Changes in net position	8,304,479	329,996
Beginning net position	(3,973,424)	1,056,352
Restatement	-	(5,359,772)
Ending net position	\$ 4,331,055	\$ (3,973,424)

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
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Governmental Activities - Overall, revenues decreased by 2.7 percent in fiscal year 2018. This decrease was primarily due to a decrease of \$927,242 in property taxes. This decrease in property tax revenue is due partially to varying amounts available as an advance each year that is recognized as revenue. The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 34.8 percent of revenues for governmental activities for the School District in fiscal year 2018. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receives additional grant and entitlement funds to help offset some operating cost.

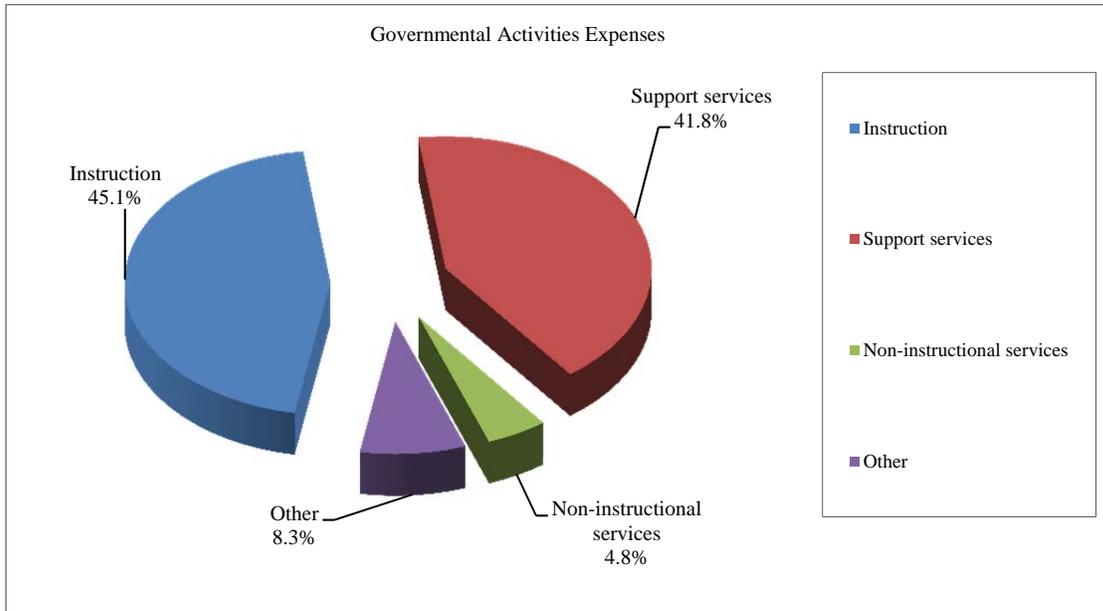
The School District has an income tax which is also a critical revenue used to support operations. For 2018, this revenue amounted to \$2,220,710 or 11.2 percent of total revenues.

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



Instruction comprises 45.1 percent of governmental program expenses. Additional supporting services for pupils, staff, administration and business operations encompassed an additional 41.8 percent. The remaining 13.1 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

Eastwood Local School District
Management's Discussion and Analysis
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Program expenses for 2018 decreased \$8,523,347 or 42.4 percent from 2017. A review of Table 2 shows that the total cost of instructional services was \$5,208,111, or 45.1% of all governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils as well as the interaction between teacher and pupil.

Pupil service and instructional staff expenses include the activities involved in assisting staff and the content and process of teaching to pupils. Such expenses represent \$518,423, or 4.5% of total governmental program expenses.

The board of education, administration, and fiscal classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. Combined, these costs totaled \$852,567, or 7.4% of all governmental expenses. These expenses decreased over the prior year by \$2,582,815. This was in part due to the change in the net pension and net OPEB liabilities for fiscal year end 2018.

Costs associated with the operation and maintenance of plant represent those expenses necessary for the care and upkeep of the School District's buildings, grounds and equipment. Current year expenses of \$2,292,371 made up 19.8% of all governmental expenses.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. For 2018, this expense is \$918,016 or 7.9% of all governmental expenses.

Eastwood Local School District
Management's Discussion and Analysis
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As a result of implementing the accounting standard for pension and OPEB, the School District is reporting a significant net pension liability, net OPEB liability and related deferred inflows of resources for the fiscal year which have a negative effect on net position. In addition, the School District is reporting deferred outflows of resources and a decrease in expenses related to pension and OPEB, which have a positive impact on net position. The decrease in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the School District's net position, additional information is presented below.

	<u>2018</u>	<u>2017</u>
Deferred outflows - pension	\$ 6,267,050	\$ 5,825,592
Deferred outflows - OPEB	181,485	33,854
Deferred inflows - pension	(1,544,994)	(193,978)
Deferred inflows - OPEB	(631,809)	-
Net pension liability	(18,700,109)	(26,769,532)
Net OPEB liability	<u>(4,193,544)</u>	<u>(5,393,626)</u>
Impact of GASB 68 and GABB 75 on net position	<u>\$ (18,621,921)</u>	<u>\$ (26,497,690)</u>

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

Financial Analysis of the Governmental Funds

Governmental Funds. Information about the School District's governmental funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$21,525,231 and expenditures and other financing uses of \$25,736,736. The total governmental fund balance decreased \$4,211,505. The net change in governmental fund balance for the year was most significant in the classroom facilities fund, where the fund balance decreased \$3,736,481 for fiscal year 2018.

The general fund is the chief operating fund of the School District. At the end of the current fiscal year, assigned fund balance of the general fund was \$9,695,670, while total fund balance was \$9,990,279 which is an increase of \$99,847 for the current fiscal year. For fiscal year 2018, current year revenues exceeded current year expenditures. This led to an overall positive net change in fund balance for the fiscal year, ultimately resulting in an overall increase in fund balance.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 3 shows fiscal year 2018 balances compared to fiscal year 2017.

Table 3
Fund Balances

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
General	\$ 9,990,279	\$ 9,890,432	\$ 99,847	1.01 %
Capital Facilities	276,388	4,012,869	(3,736,481)	(93.11)
Other governmental	<u>947,549</u>	<u>1,522,420</u>	<u>(574,871)</u>	<u>(37.76)</u>
Total	<u>\$ 11,214,216</u>	<u>\$ 15,425,721</u>	<u>\$ (4,211,505)</u>	<u>(27.30) %</u>

General Fund Budgeting Highlights

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

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

For the general fund, final budget basis revenue and other financing source was \$17,659,018 and the original budget estimate and other financing source was \$16,944,217. The final budget for revenue was adjusted and was \$2 under the actual revenue. The actual revenue was \$714,803 higher than originally anticipated, primarily due to intergovernmental revenues and tuition and fees that were not known during the original budgeting process.

The difference between the original budget appropriations and the final amended budget appropriations of the general fund was approximately \$722,811. Most of the increase occurred in instruction, which amounted to \$623,793. There was a \$9,621,952 difference between the final budget appropriations and the actual expenditures (including encumbrances) of the general fund. This difference was caused by the final appropriations including all available resources.

Capital Assets and Debt Administration

Capital Assets. The School District's investment in capital assets for its governmental activities as of June 30, 2018, amount to \$23,485,885 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, equipment and fixtures, and vehicles.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 4
 Capital Assets (Net of Depreciation)
 Governmental Activities

	<u>2018</u>	<u>2017</u>
Land	\$ 261,067	\$ 261,067
Construction in progress	-	15,039,224
Land improvements	53,975	2,731
Buildings and improvements	22,111,408	3,749,489
Furniture, equipment and fixtures	444,142	283,538
Vehicles	615,293	549,241
Total Capital Assets, Net	<u>\$ 23,485,885</u>	<u>\$ 19,885,290</u>

For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt. At June 30, 2018, the School District had \$10,109,202 in notes, certificates of participation, bonds (including bond accretion and premium) and leases outstanding with \$1,354,932 due within one year. The School District's long-term obligations also include compensated absences, a long term special assessment, net pension liability and net OPEB liability. Table 5 summarizes the notes, certificates of participation, bonds and leases outstanding:

Table 5
 Outstanding Debt, at Fiscal Year End
 Governmental Activities

	<u>2018</u>	<u>2017</u>
2015 Certificates of participation	\$ 8,054,749	\$ 9,110,363
2010 Refunding bonds	1,631,794	1,855,224
Energy conservation notes	370,000	420,000
Capital leases	52,659	-
Total bonds and leases	<u>\$ 10,109,202</u>	<u>\$ 11,385,587</u>

At June 30, 2018, the School District's overall legal debt margin was \$26,079,831 with an unvoted debt margin of \$537,054. The School District is rated Aaa by Moody's Investors Service. The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund. See Note 14, to the basic financial statements for details on the School District's debt.

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Current Financial Related Activities

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

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brad McCracken, Treasurer at Eastwood Local School District, 120 E. College Avenue, Pemberville, Ohio 43450.

Eastwood Local School District

Statement of Net Position

June 30, 2018

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 10,788,720
Cash and cash equivalents:	
In segregated accounts	182,489
Inventory held for resale	14,146
Receivables:	
Accounts	47,009
Intergovernmental	63,189
Property taxes	7,266,705
Income taxes	707,523
Accrued interest	6,226
Prepaid items	193,074
Capital assets:	
Nondepreciable capital assets	261,067
Depreciable capital assets	29,668,215
Accumulated depreciation	(6,443,397)
Total capital assets	<u>23,485,885</u>
Total assets	<u>42,754,966</u>
 <u>Deferred outflows of resources:</u>	
Pension	6,267,050
OPEB	<u>181,485</u>
Total deferred outflows of resources	<u>6,448,535</u>
 <u>Liabilities:</u>	
Accounts payable	31,059
Accrued wages	1,408,716
Matured compensated absences payable	21,194
Intergovernmental payable	23,340
Pension obligation payable	203,714
Accrued interest payable	26,514
Long-term liabilities:	
Due within one year	1,602,173
Due in more than one year:	
Net pension liability	18,700,109
Net OPEB liability	4,193,544
Other amounts due in more than one year	<u>10,219,029</u>
Total liabilities	<u>36,429,392</u>
 <u>Deferred inflows of resources:</u>	
Property taxes	6,266,251
Pension	1,544,994
OPEB	<u>631,809</u>
Total deferred inflows of resources	<u>8,443,054</u>
 <u>Net position:</u>	
Net investment in capital assets	13,376,683
Restricted for:	
Capital projects	661,660
Debt service	205,082
Extracurricular	96,637
Other purposes	283,623
Unrestricted	<u>(10,292,630)</u>
Total net position	<u>\$ 4,331,055</u>

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
Governmental Activities:				
Instruction:				
Regular	\$ 3,052,466	\$ 939,222	\$ 106,712	\$ 3,627
Special	1,653,609	132,232	477,642	-
Vocational	24,281	-	35,566	-
Other	477,755	-	-	-
Support services:				
Pupils	202,762	-	34,028	-
Instructional staff	315,661	17,548	-	-
Board of education	55,071	-	-	-
Administration	166,589	-	60	-
Fiscal	630,907	140	6,726	-
Operation and maintenance of plant	2,292,371	18,509	2,238	-
Pupil transportation	918,016	-	-	-
Central	256,476	-	10,000	-
Operation of non-instructional services	558,584	331,238	228,563	-
Extracurricular activities	638,882	375,515	-	-
Interest and fiscal charges	318,532	-	-	-
Total governmental activities	\$ 11,561,962	\$ 1,814,404	\$ 901,535	\$ 3,627

General Revenues:

Property taxes levied for:	
General purposes	6,322,060
Debt service	254,568
Capital outlay	336,423
Income taxes levied for:	
General purposes	2,220,710
Grants and entitlements not restricted to specific programs	6,850,564
Payment in lieu of taxes	873,804
Investment earnings	170,106
Gain on sale of capital asset	104,825
Miscellaneous	13,815
Total general revenues	17,146,875
Change in net position	8,304,479
Net position beginning of year, restated	(3,973,424)
Net position end of year	\$ 4,331,055

See accompanying notes to the basic financial statements.

Eastwood Local School District

Balance Sheet Governmental Funds June 30, 2018

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 9,751,200	\$ 93,899	\$ 937,379	\$ 10,782,478
Cash and cash equivalents:				
In segregated accounts	-	182,489	-	182,489
Inventory held for resale	-	-	14,146	14,146
Receivables:				
Accounts	45,399	-	1,610	47,009
Intergovernmental	3,094	-	60,095	63,189
Accrued interest	6,226	-	-	6,226
Interfund	2,686	-	-	2,686
Property taxes	6,510,290	-	756,415	7,266,705
Income taxes	707,523	-	-	707,523
Prepaid items	187,819	-	5,255	193,074
Total assets	\$ 17,214,237	\$ 276,388	\$ 1,774,900	\$ 19,265,525
<u>Liabilities, deferred inflows of resources and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 22,465	\$ -	\$ 8,594	\$ 31,059
Accrued wages	1,291,258	-	117,458	1,408,716
Matured compensated absences payable	21,194	-	-	21,194
Interfund payable	-	-	2,686	2,686
Intergovernmental payable	21,667	-	1,673	23,340
Pension obligation payable	183,761	-	19,953	203,714
Total liabilities	1,540,345	-	150,364	1,690,709
<u>Deferred inflows of resources:</u>				
Property taxes	5,598,731	-	667,520	6,266,251
Unavailable revenue - delinquent property taxes	84,882	-	9,467	94,349
Total deferred inflows of resources	5,683,613	-	676,987	6,360,600
<u>Fund balances:</u>				
Nonspendable	187,819	-	5,255	193,074
Restricted	-	276,388	987,661	1,264,049
Assigned	9,695,670	-	-	9,695,670
Unassigned	106,790	-	(45,367)	61,423
Total fund balances	9,990,279	276,388	947,549	11,214,216
Total liabilities, deferred inflows of resources and fund balances	\$ 17,214,237	\$ 276,388	\$ 1,774,900	\$ 19,265,525

See accompanying notes to the basic financial statements.

Eastwood Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2018*

Total governmental fund balances		\$ 11,214,216
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,485,885
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	94,349	
Total	94,349	94,349
An internal service fund is used by management to charge the costs of field trips and various other functions to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		6,242
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	6,267,050	
Deferred inflows - pension	(1,544,994)	
Net pension liability	(18,700,109)	
Deferred outflows - OPEB	181,485	
Deferred inflows - OPEB	(631,809)	
Net OPEB liability	(4,193,544)	
Total	(18,621,921)	(18,621,921)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Refunding general obligation bonds, including premium	\$ (1,631,794)	
Certificates of participation, including premium	(8,054,749)	
Energy conservation notes	(370,000)	
Compensated absences	(978,162)	
Special assessment payable	(733,838)	
Capital leases	(52,659)	
Accrued interest payable	(26,514)	
Total	(11,847,716)	(11,847,716)
Net position of governmental activities		\$ 4,331,055

See accompanying notes to the basic financial statements.

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

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property taxes	\$ 6,315,863	\$ -	\$ 589,270	\$ 6,905,133
Income taxes	2,220,710	-	-	2,220,710
Payment in lieu of taxes	710,000	-	163,804	873,804
Intergovernmental	6,855,939	239,142	910,451	8,005,532
Interest	170,106	3,627	1	173,734
Tuition and fees	1,028,401	-	675	1,029,076
Extracurricular activities	40,055	-	395,710	435,765
Gifts and donations	-	-	351	351
Charges for services	-	-	330,563	330,563
Rent	18,509	-	-	18,509
Miscellaneous	13,815	-	140	13,955
Total revenues	<u>17,373,398</u>	<u>242,769</u>	<u>2,390,965</u>	<u>20,007,132</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,416,636	-	141,134	7,557,770
Special	1,645,178	-	456,834	2,102,012
Vocational	92,099	-	4,348	96,447
Other	477,755	-	-	477,755
Support services:				
Pupils	572,290	-	34,693	606,983
Instructional staff	371,571	-	12,225	383,796
Board of education	56,753	-	-	56,753
Administration	1,524,189	-	671	1,524,860
Fiscal	713,352	-	12,935	726,287
Operation and maintenance of plant	1,241,199	626,797	287,242	2,155,238
Pupil transportation	848,770	-	7,610	856,380
Central	284,460	-	8,500	292,960
Operation of non-instructional services	-	-	551,031	551,031
Extracurricular activities	562,401	-	397,953	960,354
Capital outlay	266,437	3,352,453	759,002	4,377,892
Debt service:				
Principal retirement	7,535	-	1,325,000	1,332,535
Interest and fiscal charges	4,865	-	319,738	324,603
Total expenditures	<u>16,085,490</u>	<u>3,979,250</u>	<u>4,318,916</u>	<u>24,383,656</u>
Excess of revenues over (under) expenditures	<u>1,287,908</u>	<u>(3,736,481)</u>	<u>(1,927,951)</u>	<u>(4,376,524)</u>
<u>Other financing sources (uses):</u>				
Proceeds from sale of capital assets	104,825	-	-	104,825
Inception of capital lease	60,194	-	-	60,194
Transfers in	-	-	1,353,080	1,353,080
Transfers out	<u>(1,353,080)</u>	<u>-</u>	<u>-</u>	<u>(1,353,080)</u>
Total other financing sources (uses)	<u>(1,188,061)</u>	<u>-</u>	<u>1,353,080</u>	<u>165,019</u>
Net change in fund balances	99,847	(3,736,481)	(574,871)	(4,211,505)
Fund balances at beginning of year	9,890,432	4,012,869	1,522,420	15,425,721
Fund balances at end of year	<u>\$ 9,990,279</u>	<u>\$ 276,388</u>	<u>\$ 947,549</u>	<u>\$ 11,214,216</u>

See accompanying notes to the basic financial statements.

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

Net change in fund balances - total governmental funds \$ (4,211,505)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$	4,377,892	
Depreciation expense		(773,517)	
			3,604,375

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. (3,780)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:

Property taxes	\$	7,918	
Intergovernmental		(253,434)	
			(245,516)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of activities reports these amounts as deferred outflows.

Pension			1,277,857
OPEB			41,036

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.

Pension			5,882,008
OPEB			674,868

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These activities consist of:

Note issues	\$	50,000	
Capital appreciation bonds		245,000	
Certificates of participation		1,030,000	
Capital lease		7,535	
			1,332,535

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statements of net position, the lease obligation is reported as a liability. The following activities are the results of capital lease transactions:

Inception of a capital lease			(60,194)
------------------------------	--	--	----------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	\$	(36,166)	
Decrease in accrued interest		2,027	
Decrease in special assessment		40,769	
Amortization of premium		35,856	
Bond accretion		(31,812)	
			10,674

The internal service fund is used by management to charge the costs of field trips and various other functions to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. 2,121

Change in net position of governmental activities \$ 8,304,479

See accompanying notes to the basic financial statements.

Eastwood Local School District
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual - General Fund
 For the Fiscal Year Ended June 30, 2018*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 6,423,993	\$ 6,492,891	\$ 6,492,891	\$ -
Income taxes	1,971,088	2,214,267	2,214,267	-
Intergovernmental	6,759,254	6,857,890	6,857,892	2
Interest	77,900	183,911	183,911	-
Tuition and fees	835,381	1,025,392	1,025,392	-
Rent	18,560	18,519	18,519	-
Payment in lieu of taxes	710,000	710,000	710,000	-
Miscellaneous	93,041	13,834	13,834	-
Total revenues	16,889,217	17,516,704	17,516,706	2
Expenditures:				
Current:				
Instruction:				
Regular	11,245,392	11,755,816	7,346,649	4,409,167
Special	2,548,344	2,623,123	1,635,780	987,343
Vocational	141,292	147,976	92,808	55,168
Other	734,452	766,358	477,755	288,603
Support services:				
Pupils	933,508	921,715	574,870	346,845
Instructional staff	544,222	596,842	372,093	224,749
Board of education	101,817	90,506	56,460	34,046
Administration	2,338,126	2,462,437	1,536,197	926,240
Fiscal	1,088,438	1,122,102	699,892	422,210
Operation and maintenance of plant	2,044,254	2,080,148	1,304,448	775,700
Pupil transportation	1,722,384	1,703,505	1,065,484	638,021
Central	425,554	451,561	282,461	169,100
Extracurricular activities	953,746	915,798	571,038	344,760
Total expenditures	24,821,529	25,637,887	16,015,935	9,621,952
Excess of revenues over (under) expenditures	(7,932,312)	(8,121,183)	1,500,771	9,621,954
Other financing sources (uses):				
Proceeds from sale of capital assets	50,000	104,825	104,825	-
Refund of prior year expenditures	-	31,312	31,312	-
Insurance recoveries	5,000	6,177	6,177	-
Advances out	(2,686)	(2,686)	(2,686)	-
Transfers out	(1,433,906)	(1,340,359)	(1,340,359)	-
Total other financing sources (uses)	(1,381,592)	(1,200,731)	(1,200,731)	-
Net change in fund balance	(9,313,904)	(9,321,914)	300,040	9,621,954
Fund balance at beginning of year	9,252,329	9,252,329	9,252,329	-
Prior year encumbrances appropriated	69,586	69,586	69,586	-
Fund balance at end of year	\$ 8,011	\$ 1	\$ 9,621,955	\$ 9,621,954

See accompanying notes to the basic financial statements.

Eastwood Local School District

Statement of Fund Net Position

Proprietary Fund

June 30, 2018

	Governmental- Activities Internal Service Fund
<u>Assets:</u>	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 6,242
	<hr/>
<u>Liabilities:</u>	
Total liabilities	-
	<hr/>
<u>Net position:</u>	
Unrestricted	6,242
Total liabilities and net position	\$ 6,242
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental- Activities Internal Service Fund
<u>Operating revenues:</u>	
Other revenues	\$ 22,779
<u>Operating expenses:</u>	
Other	20,658
Change in net position	2,121
Net position beginning of year	4,121
Net position end of year	\$ 6,242

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental- Activities Internal Service Fund
<u>Cash flows from operating activities:</u>	
Cash received from other operating sources	\$ 22,779
Cash payments for other operating expenses	(20,658)
Net cash provided by operating activities	2,121
Net increase in cash and cash equivalents	2,121
Cash and cash equivalents at beginning of year	4,121
Cash and cash equivalents at end of year	\$ 6,242
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,121
Net cash provided by operating activities	\$ 2,121

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

	Agency
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 86,990
Receivable:	
Accounts	1,500
Total assets	\$ 88,490
 <u>Liabilities:</u>	
Accounts payable	\$ 9,092
Due to students	79,398
Total liabilities	\$ 88,490

See accompanying notes to the basic financial statements.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the School District

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately 27 square miles. It is located in Wood County, and includes the territories of the Villages of Pemberville and Luckey and the Townships of Freedom, Troy, Webster, Middleton, and Perrysburg. It is staffed by 59 non-certificated employees and 94 certificated full-time teaching and support personnel who provide services to 1,420 students and other community members. The School District currently operates 5 instructional buildings, 1 administrative building, and a garage.

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

B. Reporting Entity

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

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

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The School District is associated with the Northwest Ohio Area Computer Services Cooperative, the Penta County Vocational School and the Ohio Schools Council, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 17.

The School District is associated with an organization which is defined as an insurance rating pool. This organization is the Ohio Association of School Business Officials Worker's Compensation Group Rating Plan. Information regarding this organization is presented in Note 18.

C. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

D. Fund Accounting

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

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

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

Governmental Fund Types:

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

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

Classroom Facilities Fund – The capital facilities fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

E. Measurement Focus and Basis of Accounting

Measurement Focus:

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

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

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

Basis of Accounting:

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the fiscal year in which the income is earned (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

Eastwood Local School District
Notes to the Basic Financial Statements
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In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance year 2019 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12)

Expenditures/Expenses

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

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

F. Budgetary Process

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

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

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

Eastwood Local School District
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For the Fiscal Year Ended June 30, 2018

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the first and final amended certificate issued during fiscal year 2018.

Appropriations:

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

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

Lapsing of Appropriations:

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

Eastwood Local School District
Notes to the Basic Financial Statements
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Encumbrances:

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

G. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. During the fiscal year, investments were limited to Federal securities, certificates of deposit and an interest in STAR Ohio, the State Treasurer's Investment Pool.

The School District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice is appreciated 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

The monies being reported in the classroom facilities fund are held separate from the School District's central bank account and are reflected as "Cash and cash equivalents in segregated accounts".

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

H. Inventory

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

Eastwood Local School District
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For the Fiscal Year Ended June 30, 2018

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Bond Premiums

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

K. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the dates received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

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

Eastwood Local School District
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L. Intergovernmental Revenues

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

M. Interfund Assets/Liabilities

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

N. Pension and other postemployment benefits (OPEB)

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

The current accounting standard requires School District’s to report their proportionate share of the net pension/OPEB liability using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s net pension/OPEB liability. Under the new standards, the net pension/OPEB liability equals the School District’s proportionate share of each plan’s collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees’ past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability or the net OPEB liability. The School District has no control over the changes in the benefits, contribution rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

O. Compensated Absences

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

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

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

For the governmental fund financial statements, upon the occurrence of employee resignations and retirements, compensated absences are recognized as liabilities and expenditures to the extent payments come due and payable as of June 30, 2018. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The remaining compensated absences are recorded as long term liabilities on the Statement of Net Position.

P. Accrued Liabilities and Long-Term Obligations

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

Q. Fund Balance

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

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

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

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

R. Interfund Transactions

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

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

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

S. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for “other purposes” have external restrictions imposed through state and federal grantors.

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

T. Estimates

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

U. Operating Revenues and Expenses

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

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits other than Pensions.” GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

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Net position June 30, 2017	\$1,386,348
Adjustments:	
Net OPEB liability	(5,393,626)
Deferred outflow - payments subsequent to measurement date	33,854
Restated net position June 30, 2017	(\$3,973,424)

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

NOTE 3 – FUND BALANCES

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

Fund Balances	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>				
Prepays	\$ 187,819	\$ -	\$ 5,255	\$ 193,074
<u>Restricted for</u>				
Special trusts	-	-	11,849	11,849
Athletics and music	-	-	96,637	96,637
Facilities maintenance	-	-	271,774	271,774
Debt service payments	-	-	227,564	227,564
Capital improvements	-	276,388	379,837	656,225
Total restricted	-	276,388	987,661	1,264,049
<u>Assigned</u>				
Public school support	34,646	-	-	34,646
Encumbrances	81,573	-	-	81,573
Next years budget	9,579,451	-	-	9,579,451
Total assigned	9,695,670	-	-	9,695,670
Unassigned (deficit)	106,790	-	(45,367)	61,423
Total fund balances	\$ 9,990,279	\$ 276,388	\$ 947,549	\$ 11,214,216

Eastwood Local School District
Notes to the Basic Financial Statements
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NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

		<u>General</u>
GAAP basis	\$	99,847
Revenue accruals		219,492
Expenditure accruals		69,796
Advances out		(2,686)
Budgeted as part of special revenue fund:		
Revenues		(98,889)
Transfers from general fund		2,453
Expenditures		99,267
Encumbrances (Budget Basis)		
outstanding at year end		(89,240)
Budget basis	\$	<u>300,040</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

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 any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

Eastwood Local School District
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7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

All interest is legally required to be placed in the general fund, and other funds as approved by a Board resolution. Interest revenue credited to the general fund during fiscal year 2018 amount to \$170,106, which includes \$36,733 assigned from other School District funds.

Deposits

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

As of June 30, the carrying amount of the School District's deposits was \$9,734,289. The School District's bank balance of \$9,851,593 was not exposed to custodial credit risk.

Investments

As of June 30, the School District had the following investment and maturities:

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<u>Investment type</u>	Fair <u>Value</u>	Percentage of <u>Investments</u>	<u>Maturity</u>	<u>Rating</u>
Federal Home Loan Bank	\$ 497,640	37.6%	03/29/23	AA+ ⁽¹⁾
Federal Farm Credit Bank	500,000	37.8%	06/29/22	AA+ ⁽¹⁾
STAR Ohio	<u>81,293</u>	<u>6.1%</u>	48.9 ⁽²⁾	AAAm ⁽¹⁾
	<u>\$ 1,078,933</u>	<u>81.5%</u>		

⁽¹⁾ Standard and Poor's rating

⁽²⁾ Days (Average)

Investment <u>Type</u>	Fair <u>Value</u>	Percentage of <u>Investments</u>	<u>Maturity</u>
Negotiable certificates of deposit	\$ 244,977	18.5%	04/05/21

All of the School District's negotiable CD's were covered in full by FDIC insurance.

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. As previously discussed Star Ohio is reported at its net asset value.

Custodial credit risk for an investment is the risk that in the event of 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 investments in Federal Home Loan Bank (FHLB) and Federal Farm Credit Bank (FFCB) are held by the counterparty's trust department or agent and not in the School District's name. The School District's negotiable certificate of deposit is a registered security and covered in full by FDIC insurance. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned Star Ohio an AAAM rating, and the FHLB and FFCB bonds an AA+ rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

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Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5% of the School District's investments are in FHLB bonds, and FFCB bonds. These investments are presented in the table on the previous page. The investment in STAR Ohio is a pooled investment and not of a single issuer. The School District's policy does not specify stricter limits than allowed by law.

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, public utility and tangible personal property (used for public utility) located in the School District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 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.

The School District receives property taxes from Wood County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2018, was \$826,677 in the general fund, \$40,213 in the Bond Retirement debt service fund, and \$39,215 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2017, was \$1,003,705 in the general fund, \$36,523 in the Bond Retirement debt service fund, and \$49,388 in the Permanent Improvement capital projects fund.

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

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

<u>Property Category</u>	<u>2018 Assessed Value</u>	<u>2017 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 215,122,970	\$ 217,061,820
Commercial, industrial and minerals	19,828,080	19,549,700
Public utilities	200,830	202,140
<u>Tangible Personal Property</u>		
Public utilities	<u>74,337,690</u>	<u>67,325,530</u>
Total	<u>\$ 309,489,570</u>	<u>\$ 304,139,190</u>

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018, consisted of taxes, accounts (rent, billings for user charged services, and student fees), interfund, interest and intergovernmental receivables for user charged services. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The general fund and the nonmajor governmental funds reported intergovernmental receivables in the amount of \$3,094, and \$60,095, respectively.

NOTE 8 - INCOME TAXES

The School District levies a voted tax of one percent for general operations on the earned income of residents and of estates. A one percent earned income tax was passed in 2007 and renewed in 2016 for calendar years 2017 through 2021 with the option to renew. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

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NOTE 9 - CAPITAL ASSETS

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

	<u>Balance 7/1/2017</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance 6/30/2018</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 261,067	\$ -	\$ -	\$ 261,067
Construction in progress	<u>15,039,224</u>	<u>4,037,200</u>	<u>(19,076,424)</u>	<u>-</u>
Total capital assets, not being depreciated:	<u>15,300,291</u>	<u>4,037,200</u>	<u>(19,076,424)</u>	<u>261,067</u>
Capital assets, being depreciated:				
Land improvements	148,460	52,965	-	201,425
Buildings and improvements	8,193,941	18,930,514	-	27,124,455
Furniture, equipment and fixtures	730,737	222,400	(12,600)	940,537
Vehicles	<u>1,264,520</u>	<u>211,237</u>	<u>(73,959)</u>	<u>1,401,798</u>
Total capital assets, being depreciated	<u>10,337,658</u>	<u>19,417,116</u>	<u>(86,559)</u>	<u>29,668,215</u>
Less: Accumulated depreciation:				
Land improvements	(145,729)	(1,721)	-	(147,450)
Buildings and improvements	(4,444,452)	(568,595)	-	(5,013,047)
Furniture, equipment and fixtures	(447,199)	(58,016)	8,820	(496,395)
Vehicles	<u>(715,279)</u>	<u>(145,185)</u>	<u>73,959</u>	<u>(786,505)</u>
Total accumulated depreciation	<u>(5,752,659)</u>	<u>(773,517)</u>	<u>82,779</u>	<u>(6,443,397)</u>
Total capital assets, being depreciated, net	<u>4,584,999</u>	<u>18,643,599</u>	<u>(3,780)</u>	<u>23,224,818</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,885,290</u>	<u>\$ 22,680,799</u>	<u>\$ (19,080,204)</u>	<u>\$ 23,485,885</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 323,992
Special	20,446
Support services:	
Administration	30,306
Operation and maintenance of plant	213,518
Pupil transportation	145,185
Food service	<u>40,070</u>
Total depreciation expense	<u>\$ 773,517</u>

Eastwood Local School District
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NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property insurance of \$56,035,917, with a \$1,000 maximum deductible and general liability insurance with limits of \$15,000,000 per occurrence, with a \$5,000 maximum deductible. Vehicle liability is insured by SORSA in the amount of \$15,000,000, with a \$1,000 maximum deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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.

A. School Employees Retirement System

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 <u>August 1, 2017</u> *	Eligible to Retire on or after <u>August 1, 2017</u>
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Currently, 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$273,261 for fiscal year 2018. Of this amount \$24,616 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and 2 percent goes 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 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 that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, 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 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,004,596 for fiscal year 2018. Of this amount \$168,098 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability - prior measurement date	0.065608%	0.0656279%	
Proportion of the net pension liability - current measurement date	<u>0.065050%</u>	<u>0.0623591%</u>	
Change in proportionate share	<u>-0.000558%</u>	<u>-0.003269%</u>	
Proportionate share of the net pension liability	\$3,886,564	\$14,813,545	\$18,700,109
Pension expense	(\$183,721)	(\$5,698,287)	(\$5,882,008)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 167,264	\$ 572,030	\$ 739,294
Changes of assumptions	200,977	3,239,885	3,440,862
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	-	809,037	809,037
School District contributions subsequent to the measurement date	<u>273,261</u>	<u>1,004,596</u>	<u>1,277,857</u>
Total deferred outflows of resources	<u>\$ 641,502</u>	<u>\$ 5,625,548</u>	<u>\$ 6,267,050</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 18,449	\$ 488,864	\$ 507,313
Difference between expected and actual experience	-	119,391	119,391
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>44,170</u>	<u>874,120</u>	<u>918,290</u>
Total deferred inflows of resources	<u>\$ 62,619</u>	<u>\$ 1,482,375</u>	<u>\$ 1,544,994</u>

\$1,277,857 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 year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal			
Year	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ 126,793	\$ 691,155	\$ 817,948
2020	217,902	1,356,177	1,574,079
2021	51,532	1,024,281	1,075,813
2022	<u>(90,605)</u>	<u>66,964</u>	<u>(23,641)</u>
Total	<u>\$ 305,622</u>	<u>\$ 3,138,577</u>	<u>\$ 3,444,199</u>

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment rate of return	7.5 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an experience study that was completed June 30, 2015.

The cost of living adjustment was changed from a fixed 3 percent annual increase in the prior measurement date to a cost of living adjustment based on the change in the Consumer Price Index (CPI-W) not greater than 2.5 percent with a floor of zero percent beginning January 1, 2018. In addition, the Board has enacted a three year COLA suspension for benefit recipients in calendar years 2018, 2019, and 2020.

Mortality among active members was updated to 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 was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

Asset <u>class</u>	Target <u>allocation</u>	Long term expected <u>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 estate	15.00	5.00
Multi-asset strategies	<u>10.00</u>	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 earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease <u>(6.50%)</u>	Current discount rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
School District's proportionate share of the net pension liability	\$ 5,393,541	\$3,886,564	\$2,624,164

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Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment rate of return	7.45 percent, net of investment expenses
Payroll increases	3.00 percent
Cost-of-living adjustments (COLA)	0 percent, effective July 1, 2017

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016, (f) post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016, (g) pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return*</u>
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

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

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Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current discount rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$ 21,234,713	\$14,813,545	\$9,404,674

NOTE 12 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned.

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For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$30,915.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$41,036 for fiscal year 2018. Of this amount \$31,826 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

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

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

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

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability - prior measurement date	0.066091%	0.0656279%	
Proportion of the net OPEB liability - current measurement date	<u>0.065600%</u>	<u>0.0623591%</u>	
Change in proportionate share	<u>-0.000491%</u>	<u>-0.003269%</u>	
Proportionate share of the net OPEB liability	\$1,760,521	\$2,433,023	\$4,193,544
OPEB expense (gain)	\$92,534	(\$767,402)	(\$674,868)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 140,449	\$ 140,449
School District contributions subsequent to the measurement date	<u>41,036</u>	<u>-</u>	<u>41,036</u>
Total deferred outflows of resources	<u>\$ 41,036</u>	<u>\$ 140,449</u>	<u>\$ 181,485</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 4,649	\$ 103,993	\$ 108,642
Changes of assumptions	167,064	195,988	363,052
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>10,273</u>	<u>149,842</u>	<u>160,115</u>
Total deferred inflows of resources	<u>\$ 181,986</u>	<u>\$ 449,823</u>	<u>\$ 631,809</u>

\$41,036 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (65,415)	\$ (60,229)	\$ (125,644)
2020	(65,415)	(60,229)	(125,644)
2021	(49,993)	(60,229)	(110,222)
2022	(1,163)	(60,230)	(61,393)
2023	-	(34,231)	(34,231)
Thereafter	<u>-</u>	<u>(34,226)</u>	<u>(34,226)</u>
Total	<u>\$ (181,986)</u>	<u>\$ (309,374)</u>	<u>\$ (491,360)</u>

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Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
Investment rate of return	7.5 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption	
Measurement date	5.50 to 5.00 percent
Prior measurement date	7.50 to 5.00 percent

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

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

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

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

Asset <u>class</u>	Target <u>allocation</u>	Long term expected <u>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	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

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

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

	1% Decrease <u>(2.63%)</u>	Current discount rate <u>(3.63%)</u>	1% Increase <u>(4.63%)</u>
School District's proportionate share of the net OPEB liability	\$ 2,126,053	\$1,760,521	\$1,470,926

	1% Decrease (6.5% decreasing <u>to 4.0%</u>)	Current trend rate (7.5% decreasing <u>to 5.0%</u>)	1% Increase (8.5% decreasing <u>to 6.0%</u>)
School District's proportionate share of the net OPEB liability	\$ 1,428,531	\$1,760,521	\$2,199,916

Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment rate of return	7.45 percent, net of investment expenses
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

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

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return*</u>
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

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

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

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The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

	<u>1% Decrease</u>	<u>Current discount rate</u>	<u>1% Increase</u>
	<u>(3.13%)</u>	<u>(4.13%)</u>	<u>(5.13%)</u>
School District's proportionate share of the net OPEB liability	\$ 3,266,295	\$2,433,023	\$1,774,466

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$ 1,690,360	\$2,433,023	\$3,410,454

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life Insurance

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

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NOTE 14 – LONG-TERM OBLIGATIONS

The changes in the School District’s debt obligations during fiscal year 2018 were as follows:

<u>Governmental Activities</u>	<u>Balance 7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2018</u>	<u>Amount Due in One Year</u>
General obligation bonds:					
2010 Refunding bonds, 2-4%	\$ 1,605,000	\$ -	\$ -	\$ 1,605,000	\$ 245,000
Capital appreciation bonds	30,000	-	(30,000)	-	-
Accretion on bonds	183,188	31,812	(215,000)	-	-
Premium on bonds	37,036	-	(10,242)	26,794	-
Total general obligation bonds	<u>1,855,224</u>	<u>31,812</u>	<u>(255,242)</u>	<u>1,631,794</u>	<u>245,000</u>
Long-term notes:					
Energy conservation, 2.09%	<u>420,000</u>	<u>-</u>	<u>(50,000)</u>	<u>370,000</u>	<u>50,000</u>
Certificates of participation:					
2015 Certificates of participation, 2-3%	9,005,000	-	(1,030,000)	7,975,000	1,050,000
Premium on certificates	105,363	-	(25,614)	79,749	-
Total certificates of participation	<u>9,110,363</u>	<u>-</u>	<u>(1,055,614)</u>	<u>8,054,749</u>	<u>1,050,000</u>
Other obligations:					
Capital lease payable	-	60,194	(7,535)	52,659	9,932
Compensated absences	941,996	231,788	(195,622)	978,162	206,472
Special assessment	774,607	-	(40,769)	733,838	40,769
Total other obligations	<u>1,716,603</u>	<u>291,982</u>	<u>(243,926)</u>	<u>1,764,659</u>	<u>257,173</u>
Net pension liability:					
STRS	21,967,646	-	(7,154,101)	14,813,545	-
SERS	4,801,886	-	(915,322)	3,886,564	-
Total net pension liability	<u>26,769,532</u>	<u>-</u>	<u>(8,069,423)</u>	<u>18,700,109</u>	<u>-</u>
Net OPEB liability:					
STRS	3,509,799	-	(1,076,776)	2,433,023	-
SERS	1,883,827	-	(123,306)	1,760,521	-
Total net OPEB liability	<u>5,393,626</u>	<u>-</u>	<u>(1,200,082)</u>	<u>4,193,544</u>	<u>-</u>
Total long-term obligations	<u>\$ 45,265,348</u>	<u>\$ 323,794</u>	<u>\$(10,874,287)</u>	<u>\$ 34,714,855</u>	<u>\$ 1,602,173</u>

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

In January 2015, the School District entered into a lease agreement for \$11,005,000 with Buckeye Leasing Services with an interest rate of 2-3% for the purpose of acquiring, constructing, improving, furnishing, and equipping school facilities. The lease is an annual lease subject to renewal for ten years through June 1, 2025. Buckeye Leasing Services in turn entered into an agreement with Huntington Nation Bank, as Trustee; through with it assigned and transferred its rights, title and interest under the lease to Huntington Nation Bank. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. The Certificates of Participation will be repaid over 10 years with principal payments beginning in fiscal year 2016. The premium on the certificates was significant and is amortized over the life of the certificates using the bonds outstanding method of amortization.

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

The School District installed sewer lines for a new school building. These sewer lines are being paid through a 20-year special assessment which were paid from the general fund beginning in fiscal year 2017.

There is not a repayment schedule for the net pension liability and net OPEB liability; however the School District pays pension and OPEB obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to retire all bonds and notes outstanding at June 30, 2018 are as follows:

Fiscal Year June 30	<u>General Obligation Bonds</u>		<u>Energy conservation notes</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 245,000	\$ 57,606	\$ 50,000	\$ 7,210	\$ 1,050,000	\$ 228,750
2020	255,000	48,790	50,000	6,166	1,070,000	207,750
2021	250,000	39,200	50,000	5,121	1,105,000	175,650
2022	275,000	28,700	55,000	4,023	1,135,000	142,500
2023	285,000	17,500	55,000	2,874	1,170,000	108,450
2024-2025	295,000	5,900	110,000	2,299	2,445,000	110,550
	<u>\$1,605,000</u>	<u>\$ 197,696</u>	<u>\$ 370,000</u>	<u>\$ 27,693</u>	<u>\$ 7,975,000</u>	<u>\$ 973,650</u>

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 15 – CAPITALIZED LEASES – LESSEE DISCLOSURE

During the current fiscal year, the School District entered into a capitalized lease agreement for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by the lease have been capitalized as equipment in the amount of \$49,000, which is equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$7,535.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

Fiscal <u>Year</u>	Lease <u>Payments</u>
2019	\$ 14,880
2020	14,880
2021	14,880
2022	14,880
2023	<u>6,200</u>
Total minimum lease payments	65,720
Less: amount representing interest	<u>(13,061)</u>
Total	<u>\$ 52,659</u>

NOTE 16 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2018 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	\$ 2,686

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2018, all interfund loans outstanding are anticipated to be repaid in fiscal year 2019.

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfers to nonmajor governmental funds from:	
General fund	\$ 1,353,080

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St Mary's and Wapakoneta. NOACSC was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2018, the School District paid \$30,748 to NOACSC for various services. Financial information for NOACSC can be obtained from Ray Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

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

The Ohio Schools Council (Council) is a jointly governed organization among 210 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-three northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2018, the School District paid the Council \$61,327 for natural gas purchases, and \$3,732 for membership fees. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 18 - INSURANCE RATING POOL

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

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

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

NOTE 19 - CONTINGENCIES

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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

School District Foundation Adjustments

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not yet finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 20 - SET-ASIDE REQUIREMENTS

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

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

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

	<u>Capital Improvement</u>
Set aside balance as of June 30, 2017	\$ -
Current year set-aside requirement	262,661
Current year offset	<u>(744,576)</u>
Total	<u>\$ (481,915)</u>
Cash balance carried forward to FY2019	<u>\$ -</u>

NOTE 21 – ACCOUNTABILITY

As of June 30, 2018, five nonmajor special revenue funds had a deficit fund balance. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had a deficit at year-end:

<u>Nonmajor special revenue funds:</u>	<u>Deficit</u>
Food service	\$ 13,444
Public School Preschool	2,686
IDEA, Part B	13,171
Title I	4,326
Reducing class size	6,485

NOTE 22 – CONTRACTUAL COMMITMENTS/ENCUMBRANCES

As of June 30, 2018, the School District’s general fund reported encumbrances not individually significant, as part of assigned fund balance. Other governmental funds reported outstanding encumbrances June 30, 2018 none of which are individually significant.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 23 – SUBSEQUENT EVENT

As of June 30, 2018, the School District holds \$192,526 in unspent funds from the Ohio Schools Facilities Commission being reported in the classroom facilities fund. These funds are partially due from construction being under budget and not being used for the demolition of an elementary building. At this time it has not been determined the amount the School District will return to the Ohio Schools Commission.

Required Supplementary Information

Eastwood Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School Employees Retirement System (SERS) of Ohio				
School District's proportion of the net pension liability	0.065050%	0.065608%	0.065877%	0.066732%
School District's proportionate share of the net pension liability	\$ 3,886,564	\$ 4,801,886	\$ 3,758,994	\$ 3,377,269
School District's covered employee payroll	\$ 2,068,221	\$ 2,000,614	\$ 1,942,360	\$ 1,926,609
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	187.92%	240.02%	193.53%	175.30%
Plan fiduciary net position as a percentage of total pension liability	69.50%	62.98%	69.16%	71.70%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
State Teachers Retirement System (STRS) of Ohio				
School District's proportion of the net pension liability	0.0623591%	0.0656279%	0.0608742%	0.0619722%
School District's proportionate share of the net pension liability	\$ 14,813,545	\$ 21,967,646	\$ 16,823,843	\$ 15,073,784
School District's covered employee payroll	\$ 6,888,707	\$ 6,868,879	\$ 6,355,707	\$ 6,452,231
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	215.04%	319.81%	264.70%	233.62%
Plan fiduciary net position as a percentage of total pension liability	75.30%	66.80%	72.10%	74.70%

(1) Ten years of information will be presented as information becomes available. Information prior to 2013 is not available.
The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

2013

0.066732%

\$ 3,968,338

\$ 1,956,568

202.82%

65.52%

2013

0.0619722%

\$ 17,955,793

\$ 6,357,254

282.45%

69.30%

Eastwood Local School District
Required Supplementary Information
Schedule of School District Contributions - Pension
Last Six Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School Employees Retirement System (SERS) of Ohio					
Contractually required contribution	\$ 273,261	\$ 289,551	\$ 280,086	\$ 256,003	\$ 267,028
Contributions in relation to contractually required contribution	<u>(273,261)</u>	<u>(289,551)</u>	<u>(280,086)</u>	<u>(256,003)</u>	<u>(267,028)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 2,024,156	\$ 2,068,221	\$ 2,000,614	\$ 1,942,360	\$ 1,926,609
Contributions as a percentage of covered employee payroll	13.50%	14.00%	14.00%	13.18%	13.86%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
State Teachers Retirement System (STRS) of Ohio					
Contractually required contribution	\$ 1,004,596	\$ 964,419	\$ 961,643	\$ 889,799	\$ 838,790
Contributions in relation to contractually required contribution	<u>(1,004,596)</u>	<u>(964,419)</u>	<u>(961,643)</u>	<u>(889,799)</u>	<u>(838,790)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 7,175,686	\$ 6,888,707	\$ 6,868,879	\$ 6,355,707	\$ 6,452,231
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	14.00%	13.00%

(1) Ten years of information will be presented as information becomes available. Information prior to 2013 is not available.

2013

\$ 270,789

(270,789)

\$ -

\$ 1,956,568

13.84%

2013

\$ 826,443

(826,443)

\$ -

\$ 6,357,254

13.00%

Eastwood Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Last Two Fiscal Years (1)

	2017	2016
School Employees Retirement System (SERS) of Ohio		
School District's proportion of the net OPEB liability	0.065600%	0.066091%
School District's proportionate share of the net OPEB liability	\$ 1,760,521	\$ 1,883,827
School District's covered employee payroll	\$ 2,068,221	\$ 2,000,614
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	85.12%	94.16%
Plan fiduciary net position as a percentage of total OPEB liability	12.46%	11.49%
	2017	2016
State Teachers Retirement System (STRS) of Ohio		
School District's proportion of the net OPEB liability	0.0623591%	0.0656279%
School District's proportionate share of the net OPEB liability	\$ 2,433,023	\$ 3,509,799
School District's covered employee payroll	\$ 6,888,707	\$ 6,868,879
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	35.32%	51.10%
Plan fiduciary net position as a percentage of total OPEB liability	47.10%	37.30%

(1) Ten years of information will be presented as information becomes available. Information prior to 2016 is not available. The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

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Eastwood Local School District
Required Supplementary Information
Schedule of School District Contributions - OPEB
Last Six Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School Employees Retirement System (SERS) of Ohio					
Contractually required contribution (2)	\$ 41,036	\$ 33,854	\$ 31,744	\$ 49,997	\$ 36,405
Contributions in relation to contractually required contribution	<u>(41,036)</u>	<u>(33,854)</u>	<u>(31,744)</u>	<u>(49,997)</u>	<u>(36,405)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 2,024,156	\$ 2,068,221	\$ 2,000,614	\$ 1,942,360	\$ 1,926,609
Contributions as a percentage of covered employee payroll	2.03%	1.64%	1.59%	2.57%	1.89%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
State Teachers Retirement System (STRS) of Ohio					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ 64,522
Contributions in relation to contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,522)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 7,175,686	\$ 6,888,707	\$ 6,868,879	\$ 6,355,707	\$ 6,452,231
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	1.00%

(1) Ten years of information will be presented as information becomes available. Information prior to 2013 is not available.

(2) Includes surcharge

2013

\$ 35,993

(35,993)

\$ -

\$ 1,956,568

1.84%

2013

\$ 63,573

(63,573)

\$ -

\$ 6,357,254

1.00%

Eastwood Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net Pension Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2018. See the notes to the basic financial for benefit terms.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2018. See the notes to the basic financial for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018. See the notes to the basic financials for the methods and assumptions in this calculation.

Net OPEB Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2018. See the notes to the basic financial for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018. See the notes to the basic financials for the methods and assumptions in this calculation.

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Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The discussion and analysis of Eastwood Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- Net position of governmental activities increased \$329,996 from 2016.
- General revenues accounted for \$17,812,985 in revenue or 87.2 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,602,320 or 12.8 percent of total governmental revenues of \$20,415,305.
- The School District had \$20,085,309 in expenses related to governmental activities; only \$2,602,320 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and school foundation) of \$17,812,985 were adequate to provide for these programs, resulting in an increase in net position.
- During 2017 the District started paying on a twenty year special assessment for a new sewer line that replaced the on-site treatment plant and waste lagoon.

Using this Annual Financial Report

This annual report consists of a series of financial statements, notes to those statements and the required supplementary information. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund and the classroom facilities capital improvement fund are the most significant funds.

Reporting the School District as a Whole

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

Eastwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Statement of Net Position and the Statement of Activities While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2017?" 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.

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

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

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

Reporting the School District's Most Significant Funds

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

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

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

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

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

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

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the School District had an increase in net position of \$329,996.

A portion of the School District's net position, \$5,806,842 represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets; \$231,768 is restricted for debt service payments, \$113,119 is restricted for extracurricular, \$207,475 is restricted for other purposes and \$5,254,480 is restricted for capital projects. The remaining significant balance of government-wide unrestricted net position happens to be a deficit of \$(13,103,385).

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Table 1 provides a summary of the School District's net position for 2017 and 2016:

Table 1 Net Position Governmental Activities		
	<u>2017</u>	<u>2016</u>
Assets:		
Current and other assets	\$ 23,180,925	\$ 36,676,416
Capital assets, net of depreciation	<u>19,885,290</u>	<u>6,599,841</u>
Total assets	<u>43,066,215</u>	<u>43,276,257</u>
Deferred outflows of resources:		
Pension	<u>5,825,592</u>	<u>2,069,210</u>
Liabilities:		
Current liabilities	1,650,220	2,355,987
Long-term liabilities:		
Due with in one year	1,560,868	1,490,449
Due in more than one year:		
Net pension liability	26,769,532	20,582,837
Other amounts due in more than one year	<u>11,541,322</u>	<u>12,042,951</u>
Total liabilities	<u>41,521,942</u>	<u>36,472,224</u>
Deferred inflows of resources:		
Property taxes	5,789,539	6,235,930
Pension	<u>193,978</u>	<u>1,580,961</u>
Total deferred inflows of resources	<u>5,983,517</u>	<u>7,816,891</u>
Net position:		
Net investment in capital assets	8,682,891	3,433,879
Restricted	5,806,842	9,126,160
Unrestricted	<u>(13,103,385)</u>	<u>(11,503,687)</u>
Total net position	<u>\$ 1,386,348</u>	<u>\$ 1,056,352</u>

Net investment in capital assets reported on the government-wide statements represents a large component of net position. Capital assets include land and construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles which 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.

The School District's statement of activities prepared on an accrual basis of accounting includes an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows. The net pension liability is the largest single liability reported by the School District at June 30, 2017.

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The School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting in the statement of net position. Table 2 shows change in net position for fiscal years 2017 and 2016.

Table 2
Governmental Activities

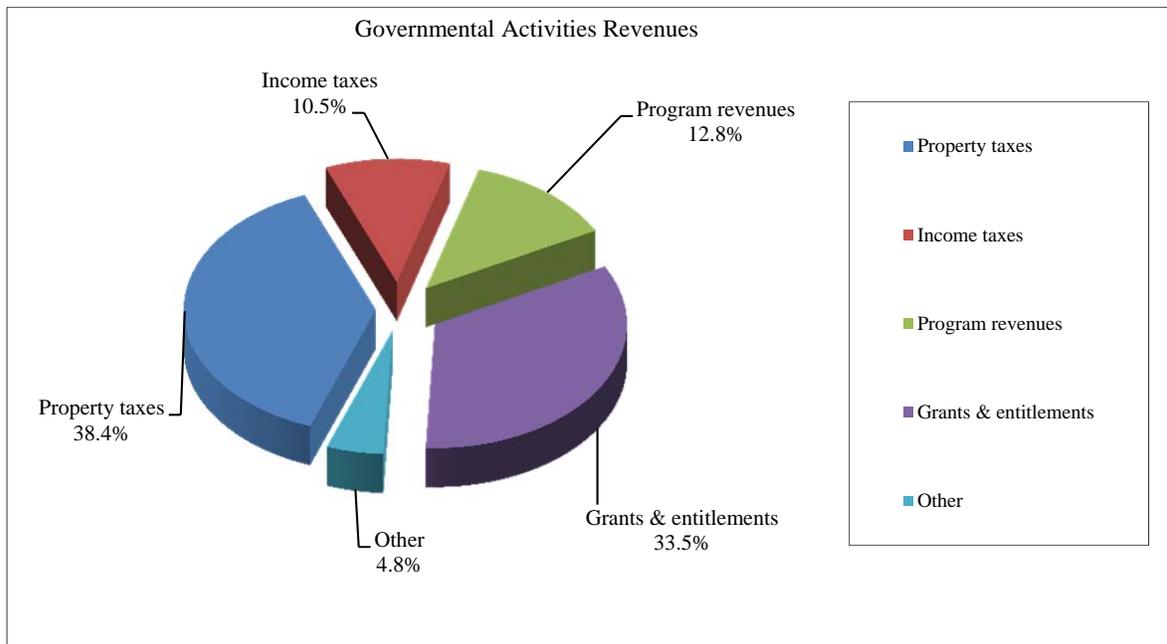
	2017	2016
Revenue:		
Program revenues:		
Charges for services and sales	\$ 1,679,691	\$ 1,575,532
Operating grants and contributions	874,805	874,033
Capital grants and contributions	47,824	80,634
General revenues:		
Property taxes	7,840,293	5,725,195
Income taxes	2,149,432	2,053,144
Grants and entitlements	6,843,590	6,892,634
Payment in lieu of taxes	869,433	833,892
Investment earnings	102,439	67,407
Miscellaneous	7,798	33,693
Total revenues	20,415,305	18,136,164
Expenses:		
Instruction:		
Regular	8,111,422	7,453,373
Special	2,076,170	2,008,274
Vocational	101,825	84,357
Adult continuing	197	85
Other	449,027	412,877
Support services:		
Pupils	628,934	567,493
Instructional staff	513,884	349,140
Board of education	55,643	59,300
Administration	1,833,424	1,566,831
Fiscal	1,546,118	681,693
Business	197	85
Operation and maintenance of plant	1,416,351	1,525,102
Pupil transportation	1,148,662	1,004,168
Central	296,539	199,976
Operation of non-instructional services	612,310	584,753
Extracurricular activities	940,377	769,157
Interest and fiscal charges	354,229	363,937
Total expenses	20,085,309	17,630,601
Changes in net position	329,996	505,563
Beginning net position	1,056,352	550,789
Ending net position	\$ 1,386,348	\$ 1,056,352

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Governmental Activities - Overall, revenues increased by 12.6 percent in fiscal year 2017. This increase was primarily due to an increase of \$2,115,098 in property taxes. This increase in property tax revenue is due partially to varying amounts available as an advance each year that is recognized as revenue. The amount available as an advance for 2017 was \$583,897 more than the amount for 2016. The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 38.4 percent of revenues for governmental activities for the School District in fiscal year 2017. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receives additional grant and entitlement funds to help offset some operating cost.

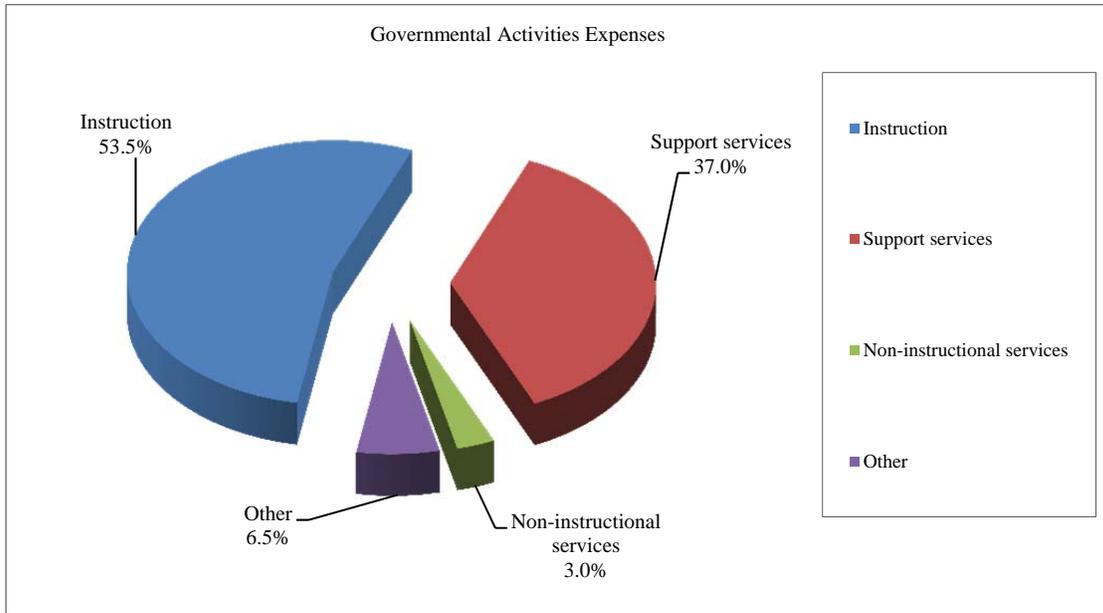
The School District has an income tax which is also a critical revenue used to support operations. For 2017, this revenue amounted to \$2,149,432 or 10.5 percent of total revenues.

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



Instruction comprises 53.5 percent of governmental program expenses. Additional supporting services for pupils, staff, administration and business operations encompassed an additional 37 percent. The remaining 9.5 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

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Program expenses for 2017 increased \$2,454,708 or 13.9 percent from 2016. A review of Table 2 shows that the total cost of instructional services was \$10,738,641, or 53.5% of all governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils as well as the interaction between teacher and pupil.

Pupil service and instructional staff expenses include the activities involved in assisting staff and the content and process of teaching to pupils. Such expenses represent \$1,142,218, or 5.7% of total governmental program expenses.

The board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. Combined, these costs totaled \$3,435,382, or 17.1% of all governmental expenses. These expenses increased over the prior year by \$1,127,473. This was in part due to the long term special assessment payable beginning in fiscal year 2017.

Costs associated with the operation and maintenance of plant represent those expenses necessary for the care and upkeep of the School District's buildings, grounds and equipment. Current year expenses of \$1,416,351 made up 7% of all governmental expenses.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. For 2017, this expense is \$1,148,662 or 5.7% of all governmental expenses.

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

In a prior fiscal year, the School District implemented the accounting standard for pension. As a result of implementing the accounting standard, the School District is reporting a significant net pension liability, related deferred inflows of resources and an increase in expenses related to pension for the fiscal year which have a negative effect on net position. In addition, the School District is reporting deferred outflows of resources, which have a positive impact on net position. The increase in pension expense is the difference between the contractually required contributions and the pension expense resulting from the change in the net pension liability that is not reported as deferred inflows or outflows. These two amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of this accounting standard on the School District's net position, additional information is presented below.

	<u>2017</u>	<u>2016</u>
Deferred outflows - pension	\$ 5,825,592	\$ 2,069,210
Deferred inflows - pension	(193,978)	(1,580,961)
Net pension liability	<u>(26,769,532)</u>	<u>(20,582,837)</u>
Impact of GASB 68 on net position	<u>\$ (21,137,918)</u>	<u>\$ (20,094,588)</u>

Financial Analysis of the Governmental Funds

Governmental Funds. Information about the School District's governmental funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,201,558 and expenditures of \$32,760,681. The total governmental fund balance decreased \$9,559,123. The net change in governmental fund balance for the year was most significant in the classroom facilities fund, where the fund balance decreased \$10,890,733 for fiscal year 2017.

The general fund is the chief operating fund of the School District. At the end of the current fiscal year, assigned fund balance of the general fund was \$9,333,136, while total fund balance was \$9,890,432 which is an increase of \$349,882 for the current fiscal year. Revenues increased by \$2,194,719 from the prior year and total expenditures decreased \$339,060 (primarily from conservative spending in support services). This led to an overall positive net change in fund balance for fiscal year 2017, ultimately resulting in an overall increase in fund balance.

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Table 3 shows fiscal year 2017 balances compared to fiscal year 2016.

Table 3
Fund Balances

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
General	\$ 9,890,432	\$ 9,540,550	\$ 349,882	3.67 %
Capital Facilities	4,012,869	14,903,602	(10,890,733)	(73.07)
Other governmental	<u>1,522,420</u>	<u>540,692</u>	<u>981,728</u>	<u>181.57</u>
Total	<u>\$ 15,425,721</u>	<u>\$ 24,984,844</u>	<u>\$ (9,559,123)</u>	<u>(38.26) %</u>

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue was \$17,192,503 and the original budget estimate was \$16,521,800. The final budget for revenue was adjusted and was \$6,768 under the actual revenue. The actual revenue was \$677,471 higher than originally anticipated, primarily due to intergovernmental revenues that were not known during the original budgeting process.

The difference between the original budget appropriations and the final amended budget appropriations of the general fund was approximately \$707,015. Most of the increase occurred in instruction, which amounted to \$650,206. There was a \$9,188,158 difference between the final budget appropriations and the actual expenditures (including encumbrances) of the general fund. This difference was caused by the final appropriations including all available resources.

Capital Assets and Debt Administration

Capital Assets. The School District's investment in capital assets for its governmental activities as of June 30, 2017, amount to \$19,885,290 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture, equipment and fixtures, and vehicles.

Eastwood Local School District
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Table 4
 Capital Assets (Net of Depreciation)
 Governmental Activities

	<u>2017</u>	<u>2016</u>
Land	\$ 261,067	\$ 261,067
Construction in progress	15,039,224	1,708,195
Land improvements	2,731	28,985
Buildings and improvements	3,749,489	3,698,010
Furniture, equipment and fixtures	283,538	170,841
Vehicles	<u>549,241</u>	<u>732,743</u>
Total Capital Assets, Net	<u>\$ 19,885,290</u>	<u>\$ 6,599,841</u>

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

Debt. At June 30, 2017, the School District had \$11,385,587 in notes, certificates of participation and bonds (including bond accretion and premium) outstanding with \$1,325,000 due within one year. The School District's long-term obligations also include compensated absences and net pension liability. Table 5 summarizes the notes, certificates of participation and bonds outstanding:

Table 5
 Outstanding Debt, at Fiscal Year End
 Governmental Activities

	<u>2017</u>	<u>2016</u>
2015 Certificates of participation	\$ 9,110,363	\$ 10,149,287
2010 Refunding bonds	1,855,224	2,053,889
Energy conservation notes	<u>420,000</u>	<u>465,000</u>
Total bonds	<u>\$ 11,385,587</u>	<u>\$ 12,668,176</u>

At June 30, 2017, the School District's overall legal debt margin was \$25,354,770 with an unvoted debt margin of \$561,606. The School District is rated Aaa by Moody's Investors Service. The School District has budgeted to meet all of its debt requirements, all of which are to be repaid from the debt service fund. See Note 13, to the basic financial statements for details on the School District's debt.

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Current Financial Related Activities

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

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brad McCracken, Treasurer at Eastwood Local School District, 120 E. College Avenue, Pemberville, Ohio 43450.

Eastwood Local School District

Statement of Net Position

June 30, 2017

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 10,890,506
Cash and cash equivalents:	
In segregated accounts	4,012,869
Inventory held for resale	15,880
Receivables:	
Accounts	82,045
Intergovernmental	311,251
Property taxes	6,965,586
Income taxes	701,080
Accrued interest	17,610
Prepaid items	184,098
Capital assets:	
Nondepreciable capital assets	15,300,291
Depreciable capital assets	10,337,658
Accumulated depreciation	(5,752,659)
Total capital assets	19,885,290
Total assets	43,066,215
 <u>Deferred outflows of resources:</u>	
Pension	5,825,592
 <u>Liabilities:</u>	
Accounts payable	40,502
Accrued wages	1,361,012
Matured compensated absences payable	6,681
Intergovernmental payable	20,775
Pension obligation payable	192,709
Accrued interest payable	28,541
Long-term liabilities:	
Due within one year	1,560,868
Due in more than one year:	
Net pension liability	26,769,532
Other amounts due in more than one year	11,541,322
Total liabilities	41,521,942
 <u>Deferred inflows of resources:</u>	
Property taxes	5,789,539
Pension	193,978
Total deferred inflows of resources	5,983,517
 <u>Net position:</u>	
Net investment in capital assets	8,682,891
Restricted for:	
Capital projects	5,254,480
Debt service	231,768
Extracurricular	113,119
Other purposes	207,475
Unrestricted	(13,103,385)
Total net position	\$ 1,386,348

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 8,111,422	\$ 782,086	\$ 133,454	\$ 47,824	\$ (7,148,058)
Special	2,076,170	140,596	473,971	-	(1,461,603)
Vocational	101,825	-	32,367	-	(69,458)
Adult/continuing	197	-	-	-	(197)
Other	449,027	-	-	-	(449,027)
Support services:					
Pupils	628,934	-	2,671	-	(626,263)
Instructional staff	513,884	6,240	20	-	(507,624)
Board of education	55,643	-	-	-	(55,643)
Administration	1,833,424	-	549	-	(1,832,875)
Fiscal	1,546,118	120	4,769	-	(1,541,229)
Business	197	-	-	-	(197)
Operation and maintenance of plant	1,416,351	12,457	2,625	-	(1,401,269)
Pupil transportation	1,148,662	-	-	-	(1,148,662)
Central	296,539	-	-	-	(296,539)
Operation of non-instructional services	612,310	353,830	224,379	-	(34,101)
Extracurricular activities	940,377	384,362	-	-	(556,015)
Interest and fiscal charges	354,229	-	-	-	(354,229)
Total governmental activities	\$ 20,085,309	\$ 1,679,691	\$ 874,805	\$ 47,824	(17,482,989)
<u>General Revenues:</u>					
Property taxes levied for:					
General purposes					7,179,767
Debt service					284,015
Capital outlay					376,511
Income taxes levied for:					
General purposes					2,149,432
Grants and entitlements not restricted to specific programs					6,843,590
Payment in lieu of taxes					869,433
Investment earnings					102,439
Miscellaneous					7,798
Total general revenues					17,812,985
Change in net position					329,996
Net position beginning of year					1,056,352
Net position end of year					\$ 1,386,348

See accompanying notes to the basic financial statements.

Eastwood Local School District

Balance Sheet Governmental Funds June 30, 2017

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 9,360,649	\$ -	\$ 1,525,736	\$ 10,886,385
Cash and cash equivalents:				
In segregated accounts	-	4,012,869	-	4,012,869
Inventory held for resale	-	-	15,880	15,880
Receivables:				
Accounts	81,815	-	230	82,045
Intergovernmental	5,490	239,142	66,619	311,251
Accrued interest	17,610	-	-	17,610
Interfund	15,174	-	-	15,174
Property taxes	6,414,515	-	551,071	6,965,586
Income taxes	701,080	-	-	701,080
Prepaid items	177,323	-	6,775	184,098
Total assets	\$ 16,773,656	\$ 4,252,011	\$ 2,166,311	\$ 23,191,978
<u>Liabilities, deferred inflows of resources and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 29,560	\$ -	\$ 10,942	\$ 40,502
Accrued wages	1,247,153	-	113,859	1,361,012
Matured compensated absences payable	4,222	-	2,459	6,681
Interfund payable	-	-	15,174	15,174
Intergovernmental payable	19,064	-	1,711	20,775
Pension obligation payable	172,415	-	20,294	192,709
Total liabilities	1,472,414	-	164,439	1,636,853
<u>Deferred inflows of resources:</u>				
Property taxes	5,332,125	-	457,414	5,789,539
Unavailable revenue - delinquent property taxes	78,685	-	7,746	86,431
Unavailable revenue - other	-	239,142	14,292	253,434
Total deferred inflows of resources	5,410,810	239,142	479,452	6,129,404
<u>Fund balances:</u>				
Nonspendable	177,323	-	6,775	184,098
Restricted	-	4,012,869	1,575,626	5,588,495
Assigned	9,333,136	-	-	9,333,136
Unassigned	379,973	-	(59,981)	319,992
Total fund balances	9,890,432	4,012,869	1,522,420	15,425,721
Total liabilities, deferred inflows of resources and fund balances	\$ 16,773,656	\$ 4,252,011	\$ 2,166,311	\$ 23,191,978

See accompanying notes to the basic financial statements.

Eastwood Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017*

Total governmental fund balances		\$	15,425,721
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			19,885,290
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:			
Property taxes			86,431
Intergovernmental			253,434
Total			339,865
An internal service fund is used by management to charge the costs of field trips and various other functions to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.			4,121
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 the funds:			
Deferred outflows - pension			5,825,592
Deferred inflows - pension			(193,978)
Net pension liability			(26,769,532)
Total			(21,137,918)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:			
Refunding general obligation bonds, including premium	\$		(1,642,036)
Refunding capital appreciation bonds including accreted interest			(213,188)
Certificates of participation, including premium			(9,110,363)
Energy conservation notes			(420,000)
Compensated absences			(941,996)
Special assessment payable			(774,607)
Accrued interest payable			(28,541)
Total			(13,130,731)
Net position of governmental activities		\$	<u>1,386,348</u>

See accompanying notes to the basic financial statements.

Eastwood Local School District
*Statement of Revenues, Expenditures
and Changes in Fund Balances*
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property taxes	\$ 7,182,327	\$ -	\$ 662,557	\$ 7,844,884
Income taxes	2,149,432	-	-	2,149,432
Payment in lieu of taxes	710,000	-	159,433	869,433
Intergovernmental	6,858,569	2,745,153	896,265	10,499,987
Interest	102,439	47,823	21	150,283
Tuition and fees	897,206	-	900	898,106
Extracurricular activities	25,476	-	390,602	416,078
Gifts and donations	-	-	50	50
Charges for services	-	-	352,930	352,930
Rent	12,457	-	-	12,457
Miscellaneous	7,798	-	120	7,918
Total revenues	<u>17,945,704</u>	<u>2,792,976</u>	<u>2,462,878</u>	<u>23,201,558</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,021,559	-	158,966	7,180,525
Special	1,576,133	-	441,614	2,017,747
Vocational	88,461	-	4,196	92,657
Other	449,027	-	-	449,027
Support services:				
Pupils	582,960	-	2,671	585,631
Instructional staff	404,647	-	5,477	410,124
Board of education	54,767	-	-	54,767
Administration	1,617,741	-	1,164	1,618,905
Fiscal	710,682	-	12,360	723,042
Operation and maintenance of plant	1,128,469	-	247,478	1,375,947
Pupil transportation	883,599	-	3,966	887,565
Central	277,885	-	-	277,885
Operation of non-instructional services	-	-	596,802	596,802
Extracurricular activities	544,154	-	332,747	876,901
Capital outlay	7,137	13,683,709	282,959	13,973,805
Debt service:				
Principal retirement	-	-	1,295,000	1,295,000
Interest and fiscal charges	-	-	344,351	344,351
Total expenditures	<u>15,347,221</u>	<u>13,683,709</u>	<u>3,729,751</u>	<u>32,760,681</u>
Excess of revenues over (under) expenditures	<u>2,598,483</u>	<u>(10,890,733)</u>	<u>(1,266,873)</u>	<u>(9,559,123)</u>
<u>Other financing sources (uses):</u>				
Transfers in	-	-	2,248,601	2,248,601
Transfers out	<u>(2,248,601)</u>	<u>-</u>	<u>-</u>	<u>(2,248,601)</u>
Total other financing sources (uses)	<u>(2,248,601)</u>	<u>-</u>	<u>2,248,601</u>	<u>-</u>
Net change in fund balances	349,882	(10,890,733)	981,728	(9,559,123)
Fund balances at beginning of year	9,540,550	14,903,602	540,692	24,984,844
Fund balances at end of year	<u>\$ 9,890,432</u>	<u>\$ 4,012,869</u>	<u>\$ 1,522,420</u>	<u>\$ 15,425,721</u>

See accompanying notes to the basic financial statements.

Eastwood Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net change in fund balances - total governmental funds \$ (9,559,123)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	\$ 13,973,805	
Depreciation expense	(672,689)	
Excess of capital outlay over depreciation expense	13,301,116	13,301,116

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 (15,667)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:

Property taxes	\$ (4,591)	
Intergovernmental	(2,781,662)	
Net change in deferred inflows of resources during the year	(2,786,253)	(2,786,253)

Contractually required pension contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows. 1,253,970

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,297,300)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These activities consist of:

Note issues	\$ 45,000	
Capital appreciation bonds	240,000	
Certificates of participation	1,010,000	
Total expenditures	1,295,000	1,295,000

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	\$ (76,772)	
Decrease in accrued interest	2,533	
Increase in special assessment	(774,607)	
Amortization of:		
Premium	39,358	
Bond accretion	(51,769)	
Total additional expenditures	(861,257)	(861,257)

The internal service fund is used by management to charge the costs of field trips and various other functions to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. (490)

Change in net position of governmental activities \$ 329,996

See accompanying notes to the basic financial statements.

Eastwood Local School District
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual - General Fund
 For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 6,049,038	\$ 6,633,938	\$ 6,633,938	\$ -
Income taxes	2,056,031	2,086,958	2,086,958	-
Intergovernmental	6,878,747	6,851,069	6,851,069	-
Interest	30,000	101,473	101,473	-
Tuition and fees	807,984	795,607	795,607	-
Rent	19,000	12,447	12,447	-
Payment in lieu of taxes	675,000	710,000	710,000	-
Miscellaneous	6,000	1,011	7,779	6,768
Total revenues	16,521,800	17,192,503	17,199,271	6,768
Expenditures:				
Current:				
Instruction:				
Regular	10,748,241	11,149,850	6,979,679	4,170,171
Special	2,379,043	2,574,195	1,613,013	961,182
Vocational	129,990	141,393	88,483	52,910
Other	675,487	717,529	449,027	268,502
Support services:				
Pupils	885,376	931,924	585,126	346,798
Instructional staff	555,247	659,906	413,734	246,172
Board of education	89,246	88,949	55,664	33,285
Administration	2,589,233	2,597,081	1,627,124	969,957
Fiscal	1,028,456	1,132,866	708,830	424,036
Operation and maintenance of plant	1,888,294	1,838,667	1,155,328	683,339
Pupil transportation	1,658,549	1,467,606	927,283	540,323
Central	491,676	444,243	278,082	166,161
Extracurricular activities	787,728	869,372	544,050	325,322
Total expenditures	23,906,566	24,613,581	15,425,423	9,188,158
Excess of revenues over (under) expenditures	(7,384,766)	(7,421,078)	1,773,848	9,194,926
Other financing sources (uses):				
Refund of prior year expenditures	-	11,496	11,496	-
Advances in	2,244	2,244	2,244	-
Transfers out	(2,272,298)	(2,248,601)	(2,248,601)	-
Total other financing sources (uses)	(2,270,054)	(2,234,861)	(2,234,861)	-
Net change in fund balance	(9,654,820)	(9,655,939)	(461,013)	9,194,926
Fund balance at beginning of year	9,655,940	9,655,940	9,655,940	-
Prior year encumbrances appropriated	57,402	57,402	57,402	-
Fund balance at end of year	\$ 58,522	\$ 57,403	\$ 9,252,329	\$ 9,194,926

See accompanying notes to the basic financial statements.

Eastwood Local School District

Statement of Fund Net Position

Proprietary Fund

June 30, 2017

	Governmental- Activities Internal Service Fund
<u>Assets:</u>	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 4,121
	<hr/>
<u>Liabilities:</u>	
Total liabilities	-
	<hr/>
<u>Net position:</u>	
Unrestricted	4,121
Total liabilities and net position	\$ 4,121
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental- Activities Internal Service Fund
<u>Operating revenues:</u>	
Other revenues	\$ 26,279
<u>Operating expenses:</u>	
Other	26,769
Change in net position	(490)
Net position beginning of year	4,611
Net position end of year	\$ 4,121

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental- Activities Internal Service Fund
<u>Cash flows from operating activities:</u>	
Cash received from other operating sources	\$ 26,279
Cash payments for other operating expenses	(26,769)
Net cash used for operating activities	(490)
Net decrease in cash and cash equivalents	(490)
Cash and cash equivalents at beginning of year	4,611
Cash and cash equivalents at end of year	\$ 4,121
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (490)
Net cash used for operating activities	\$ (490)

See accompanying notes to the basic financial statements.

Eastwood Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017

	Agency
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 88,878
Receivable:	
Accounts	55
Total assets	\$ 88,933
 <u>Liabilities:</u>	
Accounts payable	\$ 10,124
Due to students	78,809
Total liabilities	\$ 88,933

See accompanying notes to the basic financial statements.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the School District

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately 27 square miles. It is located in Wood County, and includes the territories of the Villages of Pemberville and Luckey and the Townships of Freedom, Troy, Webster, Middleton, and Perrysburg. It is staffed by 78 non-certificated employees and 108 certificated full-time teaching and support personnel who provide services to 1,420 students and other community members. The School District currently operates 5 instructional buildings, 1 administrative building, and a garage.

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

B. Reporting Entity

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

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

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

C. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

D. Fund Accounting

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

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

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

Governmental Fund Types:

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

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

Classroom Facilities Fund – The capital facilities fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

E. Measurement Focus and Basis of Accounting

Measurement Focus:

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

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Basis of Accounting:

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from income taxes is recognized in the fiscal year in which the income is earned (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

Expenditures/Expenses

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

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

F. Budgetary Process

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

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

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the first and final amended certificate issued during fiscal year 2017.

Appropriations:

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

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

Lapsing of Appropriations:

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Encumbrances:

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

G. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. During the fiscal year, investments were limited an interest in STAR Ohio, the State Treasurer's Investment Pool.

The School District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

The monies being reported in the classroom facilities fund are held separate from the School District's central bank account and are reflected as "Cash and cash equivalents in segregated accounts".

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

H. Inventory

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

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Bond Premiums

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

K. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the dates received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

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

L. Intergovernmental Revenues

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

M. Interfund Assets/Liabilities

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

N. Net pension liability and pension expense

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.

The current accounting standard requires School District’s to report their proportionate share of the net pension liability using the earning approach to pension accounting instead of the funding approach as previously used. The funding 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. Under the new standards, the net pension liability equals the School District’s proportionate share of each plan’s collective present value of estimated future pension benefits attributable to active and inactive employees’ past service minus plan assets available to pay these benefits.

Pension obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the plan.

There is no repayment schedule for the net pension liability. The School District has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of the net pension liability. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

O. Compensated Absences

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

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

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

For the governmental fund financial statements, upon the occurrence of employee resignations and retirements, compensated absences are recognized as liabilities and expenditures to the extent payments come due and payable as of June 30, 2017. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The remaining compensated absences are recorded as long term liabilities on the Statement of Net Position.

P. Accrued Liabilities and Long-Term Obligations

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

Q. Fund Balance

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

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

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

R. Interfund Transactions

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

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

S. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for “other purposes” have external restrictions imposed through state and federal grantors.

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

T. Estimates

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

U. Operating Revenues and Expenses

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

NOTE 2 – FUND BALANCES

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

Eastwood Local School District
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Fund Balances	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>				
Prepays	\$ 177,323	\$ -	\$ 6,775	\$ 184,098
<u>Restricted for</u>				
Special trusts	-	-	3,153	3,153
Athletics and music	-	-	113,119	113,119
Instructional programs	-	-	491	491
Facilities maintenance	-	-	203,831	203,831
Debt service payments	-	-	257,467	257,467
Capital improvements	-	4,012,869	997,565	5,010,434
Total restricted	-	4,012,869	1,575,626	5,588,495
<u>Assigned</u>				
Public school support	29,106	-	-	29,106
Encumbrances	59,712	-	-	59,712
Next years budget	9,244,318	-	-	9,244,318
Total assigned	9,333,136	-	-	9,333,136
Unassigned (deficit)	379,973	-	(59,981)	319,992
Total fund balances	\$ 9,890,432	\$ 4,012,869	\$ 1,522,420	\$ 15,425,721

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Eastwood Local School District
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For the Fiscal Year Ended June 30, 2017

4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

Net Change in Fund Balance	
	<u>General</u>
GAAP basis	\$ 349,882
Revenue accruals	(658,307)
Advances in	2,244
Expenditure accruals	(78,759)
Budgeted as part of special revenue fund:	
Revenues	(76,630)
Expenditures	70,143
Encumbrances (Budget Basis)	
outstanding at year end	<u>(69,586)</u>
Budget basis	<u>\$ (461,013)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Eastwood Local School District
Notes to the Basic Financial Statements
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Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

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 any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Eastwood Local School District
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All interest is legally required to be placed in the general fund, and other funds as approved by a Board resolution. Interest revenue credited to the general fund during fiscal year 2017 amount to \$102,439, which includes \$36,582 assigned from other School District funds.

Deposits

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

As of June 30, the carrying amount of the School District's deposits was \$13,893,308. The School District's bank balance of \$14,563,245 was not exposed to custodial credit risk.

Investments

As of June 30, the School District had the following investment and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Maturity</u>	<u>Rating</u>
STAR Ohio	\$ 1,098,945	100.00%	45.5 ⁽²⁾	AAAm ⁽¹⁾

⁽¹⁾ Standard and Poor's rating

⁽²⁾ Days (Average)

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. As previously discussed Star Ohio is reported at its net asset value.

Eastwood Local School District
Notes to the Basic Financial Statements
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Custodial credit risk for an investment is the risk that in the event of 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's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned Star Ohio an AAAM rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used for public utility) located in the School District. Real property tax revenue received in calendar 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 semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 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 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Wood County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Accrued property taxes receivable includes real property and public utility 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 – property taxes.

The amount available as an advance at June 30, 2017, was \$1,003,705 in the general fund, \$36,523 in the Bond Retirement debt service fund, and \$49,388 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2016, was \$455,316 in the general fund, \$22,565 in the Bond Retirement debt service fund, and \$27,838 in the Permanent Improvement capital projects fund.

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

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

<u>Property Category</u>	<u>2017 Assessed Value</u>	<u>2016 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 217,061,820	\$ 215,166,450
Commercial, industrial and minerals	19,549,700	18,894,560
Public utilities	202,140	209,330
<u>Tangible Personal Property</u>		
Public utilities	67,325,530	60,819,780
Total	<u>\$ 304,139,190</u>	<u>\$ 295,090,120</u>

NOTE 6 - RECEIVABLES

Receivables at June 30, 2017, consisted of taxes, accounts (rent, billings for user charged services, and student fees), interfund, interest and intergovernmental receivables for user charged services. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The general fund, classroom facilities fund and the nonmajor governmental funds reported intergovernmental receivables in the amount of \$5,490, \$239,142 and \$66,619, respectively.

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 7 - INCOME TAXES

The School District levies a voted tax of one percent for general operations on the earned income of residents and of estates. A one percent earned income tax was passed in 2007 and renewed in 2016 for calendar years 2017 through 2021 with the option to renew. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 8 - CAPITAL ASSETS

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

	<u>Balance</u> 7/1/2016	<u>Addition</u>	<u>Deletion</u>	<u>Balance</u> 6/30/2017
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 261,067	\$ -	\$ -	\$ 261,067
Construction in progress	<u>1,708,195</u>	<u>13,924,970</u>	<u>(593,941)</u>	<u>15,039,224</u>
Total capital assets, not being depreciated:	<u>1,969,262</u>	<u>13,924,970</u>	<u>(593,941)</u>	<u>15,300,291</u>
Capital assets, being depreciated:				
Land improvements	128,295	36,165	(16,000)	148,460
Buildings and improvements	10,995,213	38,244	(2,839,516)	8,193,941
Furniture, equipment and fixtures	278,317	568,367	(115,947)	730,737
Vehicles	<u>1,347,813</u>	<u>-</u>	<u>(83,293)</u>	<u>1,264,520</u>
Total capital assets, being depreciated	<u>12,749,638</u>	<u>642,776</u>	<u>(3,054,756)</u>	<u>10,337,658</u>
Less: Accumulated depreciation:				
Land improvements	(99,310)	(60,919)	14,500	(145,729)
Buildings and improvements	(7,297,203)	27,402	2,825,349	(4,444,452)
Furniture, equipment and fixtures	(107,476)	(455,670)	115,947	(447,199)
Vehicles	<u>(615,070)</u>	<u>(183,502)</u>	<u>83,293</u>	<u>(715,279)</u>
Total accumulated depreciation	<u>(8,119,059)</u>	<u>(672,689)</u>	<u>3,039,089</u>	<u>(5,752,659)</u>
Total capital assets, being depreciated, net	<u>4,630,579</u>	<u>(29,913)</u>	<u>(15,667)</u>	<u>4,584,999</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,599,841</u>	<u>\$ 13,895,057</u>	<u>\$ (609,608)</u>	<u>\$ 19,885,290</u>

Depreciation expense was charged to governmental functions as follows:

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Instruction:	
Regular	\$ 306,684
Special	7,934
Adult	197
Support services:	
Pupil	9,485
Instructional staff	85,226
Administration	27,109
Business	197
Pupil transportation	211,360
Central	5,042
Extracurricular activities	<u>19,455</u>
Total depreciation expense	<u>\$ 672,689</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property insurance of \$56,035,917, with a \$1,000 maximum deductible and general liability insurance with limits of \$15,000,000 per occurrence, with a \$5,000 maximum deductible. Vehicle liability is insured by SORSA in the amount of \$15,000,000, with a \$1,000 maximum deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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.

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

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

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

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

A. School Employees Retirement System

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:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$289,551 for fiscal year 2017. Of this amount \$80,441 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

Eastwood Local School District
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New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 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 2 percent goes 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

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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. Effective 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 \$964,419 for fiscal year 2017. Of this amount \$346,230 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability - prior measurement date	0.065877%	0.0608742%	
Proportion of the net pension liability - current measurement date	<u>0.065608%</u>	<u>0.0656279%</u>	
Change in proportionate share	<u>-0.000269%</u>	<u>0.004754%</u>	
Proportionate share of the net pension liability	\$4,801,886	\$21,967,646	\$26,769,532
Pension expense	\$478,484	\$1,818,816	\$2,297,300

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 64,767	\$ 887,598	\$ 952,365
Changes of assumptions	320,552	-	320,552
Net difference between projected and actual earnings on pension plan investments	396,085	1,823,905	2,219,990
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	-	1,078,715	1,078,715
School District contributions subsequent to the measurement date	<u>289,551</u>	<u>964,419</u>	<u>1,253,970</u>
Total deferred outflows of resources	<u>\$ 1,070,955</u>	<u>\$ 4,754,637</u>	<u>\$ 5,825,592</u>
Deferred inflows of resources			
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>\$ 33,732</u>	<u>\$ 160,246</u>	<u>\$ 193,978</u>
Total deferred inflows of resources	<u>\$ 33,732</u>	<u>\$ 160,246</u>	<u>\$ 193,978</u>

\$1,253,970 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 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:

Fiscal		<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Year				
2018	\$	180,860	\$ 645,577	\$ 826,437
2019		180,574	645,574	826,148
2020		272,378	1,345,458	1,617,836
2021		<u>113,860</u>	<u>993,363</u>	<u>1,107,223</u>
Total	\$	<u>747,672</u>	<u>\$ 3,629,972</u>	<u>\$ 4,377,644</u>

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.5 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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Asset <u>class</u>	Target <u>allocation</u>	Long term expected <u>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	<u>10.00</u>	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 earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease <u>(6.50%)</u>	Current discount rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
School District's proportionate share of the net pension liability	\$ 6,357,397	\$4,801,886	\$3,499,858

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

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

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

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
Domestic equity	31.00 %	8.00 %
International equity	26.00	7.85
Alternatives	14.00	8.00
Fixed income	18.00	3.75
Real estate	10.00	6.75
Liquidity reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 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 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 <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$ 29,193,217	\$21,967,646	\$15,872,452

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Changes between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which impacted 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 impact to the School District's net pension liability is expected to be significant.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, there was no allocation of covered payroll allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 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 \$33,854.

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The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$33,854, \$31,744, and \$51,561, respectively. For fiscal year 2017, 0 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2016 and 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 year 2017, STRS did not allocate any employer contributions to post-employment health care. For fiscal year 2017, 2016 and fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care for the last three fiscal years.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life Insurance

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

Eastwood Local School District
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NOTE 13 – LONG-TERM OBLIGATIONS

The changes in the School District’s debt obligations during fiscal year 2017 were as follows:

<u>Governmental Activities</u>	<u>Balance 7/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2017</u>	<u>Amount Due in One Year</u>
General obligation bonds:					
2010 Refunding bonds, 2-4%	\$ 1,845,000	\$ -	\$ (240,000)	\$ 1,605,000	\$ -
Capital appreciation bonds	30,000	-	-	30,000	30,000
Accretion on bonds	131,419	51,769	-	183,188	215,000
Premium on bonds	47,470	-	(10,434)	37,036	-
Total general obligation bonds	<u>2,053,889</u>	<u>51,769</u>	<u>(250,434)</u>	<u>1,855,224</u>	<u>245,000</u>
Long-term notes:					
Energy conservation, 2.09%	<u>465,000</u>	<u>-</u>	<u>(45,000)</u>	<u>420,000</u>	<u>50,000</u>
Certificates of participation:					
2015 Certificates of participation, 2-3%	10,015,000	-	(1,010,000)	9,005,000	1,030,000
Premium on certificates	134,287	-	(28,924)	105,363	-
Total certificates of participation	<u>10,149,287</u>	<u>-</u>	<u>(1,038,924)</u>	<u>9,110,363</u>	<u>1,030,000</u>
Other obligations:					
Compensated absences	865,224	258,230	(181,458)	941,996	195,099
Special assessment	-	815,376	(40,769)	774,607	40,769
Total other obligations	<u>865,224</u>	<u>1,073,606</u>	<u>(222,227)</u>	<u>1,716,603</u>	<u>235,868</u>
Net pension liability:					
STRS	16,823,843	5,143,803	-	21,967,646	-
SERS	3,758,994	1,042,892	-	4,801,886	-
Total net pension liability	<u>20,582,837</u>	<u>6,186,695</u>	<u>-</u>	<u>26,769,532</u>	<u>-</u>
Total long-term obligations	<u>\$ 34,116,237</u>	<u>\$ 7,312,070</u>	<u>\$ (1,556,585)</u>	<u>\$ 39,871,722</u>	<u>\$ 1,560,868</u>

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

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

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

In January 2015, the School District entered into a lease agreement for \$11,005,000 with Buckeye Leasing Services with an interest rate of 2-3% for the purpose of acquiring, constructing, improving, furnishing, and equipping school facilities. The lease is an annual lease subject to renewal for ten years through June 1, 2025. Buckeye Leasing Services in turn entered into an agreement with Huntington Nation Bank, as Trustee; through with it assigned and transferred its rights, title and interest under the lease to Huntington Nation Bank. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. The Certificates of Participation will be repaid over 10 years with principal payments beginning in fiscal year 2016. The premium on the certificates was significant and is amortized over the life of the certificates using the bonds outstanding method of amortization.

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

The School District installed sewer lines for a new school building. These sewer lines are being paid through a 20-year special assessment which were paid from the general fund beginning in fiscal year 2017.

The School District pays pension obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to retire all bonds and notes outstanding at June 30, 2017 are as follows:

Fiscal Year June 30	<u>General Obligation Bonds</u>			<u>Energy conservation notes</u>		<u>Certificates of Participation</u>	
	Principal	Interest	Compounded Interest	Principal	Interest	Principal	Interest
2018	\$ 30,000	\$ 61,833	\$ 215,000	\$ 50,000	\$ 8,255	\$ 1,030,000	\$ 249,350
2019	245,000	57,606	-	50,000	7,210	1,050,000	228,750
2020	255,000	48,790	-	50,000	6,166	1,070,000	207,750
2021	250,000	39,200	-	50,000	5,121	1,105,000	175,650
2022	275,000	28,700	-	55,000	4,023	1,135,000	142,500
2023-2025	580,000	23,400	-	165,000	5,173	3,615,000	219,000
	<u>\$1,635,000</u>	<u>\$ 259,529</u>	<u>\$ 215,000</u>	<u>\$ 420,000</u>	<u>\$ 35,948</u>	<u>\$ 9,005,000</u>	<u>\$ 1,223,000</u>

Eastwood Local School District
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NOTE 14 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2017 consisted of the following:

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

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2017, all interfund loans outstanding are anticipated to be repaid in fiscal year 2018.

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

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfers to nonmajor governmental funds from:	
General fund	\$ 2,248,601

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St Mary's and Wapakoneta. NOACSC was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. During fiscal year 2017, the School District paid \$70,952 to NOACSC for various services. Financial information for NOACSC can be obtained from Ray Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The Ohio Schools Council (Council) is a jointly governed organization among 210 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-four northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2017, the School District paid the Council \$38,170 for natural gas purchases, and \$121 for membership fees. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

NOTE 16 - INSURANCE RATING POOL

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

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

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 17 - CONTINGENCIES

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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

School District Foundation Adjustments

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not yet finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 18 - SET-ASIDE REQUIREMENTS

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

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

Eastwood Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	<u>Capital Improvement</u>
Set aside balance as of June 30, 2016	\$ -
Current year set-aside requirement	258,958
Current year offset	<u>(758,767)</u>
Total	<u>\$ (499,809)</u>
Cash balance carried forward to FY2018	<u>\$ -</u>

NOTE 19 – ACCOUNTABILITY

As of June 30, 2017, five nonmajor special revenue funds had a deficit fund balance. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had a deficit at year-end:

<u>Nonmajor special revenue funds:</u>	<u>Deficit</u>
Food service	\$ 19,790
IDEA, Part B	16,230
Title I	11,096
Drug free schools grant	4,174
Reducing class size	1,916

NOTE 20 – CONTRACTUAL COMMITMENTS/ENCUMBRANCES

As of June 30, 2017, the School District’s general fund reported encumbrances not individually significant, as part of assigned fund balance. Other governmental funds reported outstanding encumbrances June 30, 2017 none of which are individually significant.

Eastwood Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	2016	2015	2014	2013
School Employees Retirement System (SERS) of Ohio				
School District's proportion of the net pension liability	0.065608%	0.065877%	0.066732%	0.066732%
School District's proportionate share of the net pension liability	\$ 4,801,886	\$ 3,758,994	\$ 3,377,269	\$ 3,968,338
School District's covered employee payroll	\$ 2,000,614	\$ 1,942,360	\$ 1,926,609	\$ 1,956,568
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	240.02%	193.53%	175.30%	202.82%
Plan fiduciary net position as a percentage of total pension liability	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System (STRS) of Ohio				
School District's proportion of the net pension liability	0.0656279%	0.0608742%	0.0619722%	0.0619722%
School District's proportionate share of the net pension liability	\$ 21,967,646	\$ 16,823,843	\$ 15,073,784	\$ 17,955,793
School District's covered employee payroll	\$ 6,868,879	\$ 6,355,707	\$ 6,452,231	\$ 6,357,254
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	319.81%	264.70%	233.62%	282.45%
Plan fiduciary net position as a percentage of total pension liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available and the amounts presented are as of the School District's measurement date which is the prior fiscal year end.

Eastwood Local School District
Required Supplementary Information
Schedule of School District Contributions
Last Five Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School Employees Retirement System (SERS) of Ohio					
Contractually required contribution	\$ 289,551	\$ 280,086	\$ 256,003	\$ 267,028	\$ 270,789
Contributions in relation to contractually required contribution	<u>(289,551)</u>	<u>(280,086)</u>	<u>(256,003)</u>	<u>(267,028)</u>	<u>(270,789)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 2,068,221	\$ 2,000,614	\$ 1,942,360	\$ 1,926,609	\$ 1,956,568
Contributions as a percentage of covered employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
State Teachers Retirement System (STRS) of Ohio					
Contractually required contribution	\$ 964,419	\$ 961,643	\$ 889,799	\$ 838,790	\$ 826,443
Contributions in relation to contractually required contribution	<u>(964,419)</u>	<u>(961,643)</u>	<u>(889,799)</u>	<u>(838,790)</u>	<u>(826,443)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 6,888,707	\$ 6,868,879	\$ 6,355,707	\$ 6,452,231	\$ 6,357,254
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available.

Eastwood Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. See the notes to the basic financials for the methods and assumptions in this calculation.



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

Eastwood Local School District
Wood County
P.O. Box 837
120 East College Avenue
Pemberville, Ohio 43450

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastwood Local School District, Wood County, (the District) as of and for the years ended June 30, 2018 and 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 December 18, 2018, wherein we noted the District adopted new accounting guidance in GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

BHM CPA Group

BHM CPA Group
Piketon, Ohio
December 18, 2018

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OHIO AUDITOR OF STATE
KEITH FABER



EASTWOOD LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 26, 2019**