



**Auditor of State  
Betty Montgomery**



**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets .....	10
Statement of Activities.....	11
Balance Sheet – Governmental Funds .....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	16
Statement of Net Assets – Internal Service Fund.....	17
Statement of Revenues, Expenses and Changes in Net Assets – Internal Service Fund .....	18
Statement of Cash Flows – Internal Service Fund .....	19
Statement of Fiduciary Net Assets – Fiduciary Fund.....	20
Notes to the Basic Financial Statements .....	22
Schedule of Federal Awards Expenditures.....	46
Notes to the Schedule of Federal Awards Expenditures .....	47
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	49
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	51
Schedule of Findings.....	54

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Crestview Local School District  
Columbiana County  
44100 Crestview Road #A  
Columbiana, Ohio 44408

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestview Local School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Crestview Local School District, Columbiana County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Statements*.

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

May 12 , 2005

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited**

The discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2004 are as follows:

In total, net assets increased \$37,090.

General revenues accounted for \$8,732,216, or 85 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$1,527,281 or 15 percent of total revenues of \$10,259,497.

The District's major funds included the general fund, the bond debt service fund and permanent improvement capital project fund. The general fund had \$7,716,900 in revenues and \$8,257,929 in expenditures. The general fund's balance decreased \$541,029 from the prior fiscal year. The bond debt service fund had \$2,791,370 in revenues and other financing sources and \$2,800,585 in expenditures. The bond debt service fund's balance decreased \$9,215 from the prior fiscal year. The permanent improvement capital project fund had \$1,021,773 in revenues and other financing sources and \$906,799 in expenditures. The permanent improvement capital project fund's balance increased \$114,974 from the prior fiscal year.

The revenue generated from the debt service fund is used to pay for the current portion of bonded debt.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the general fund is by far the most significant fund. The general fund, the bond debt service fund, the permanent improvement capital projects fund are the only three major funds.

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited  
(Continued)**

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General fund and the Bond Retirement Debt Service Fund, and the Permanent Improvement Capital Projects Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Because the focus of the 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 on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-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 help make this comparison between governmental funds and governmental activities.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.



**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2004. A comparative analysis is not provided because this is the first year for government-wide financial statements using the full accrual basis of accounting. An analysis will be provided in future years when prior year information is available.

**Table 1**

<b>Net Assets (In Thousands) Governmental Activities</b>		<b>2004</b>
<u>Assets:</u>		
Current and Other Assets		\$4,240,857
Capital Assets, Net		14,523,110
Total Assets		<u>18,763,967</u>
<u>Liabilities:</u>		
Current and Other Liabilities		3,272,251
Long-Term Liabilities		3,930,579
Total Liabilities		<u>7,202,830</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt		11,127,776
Restricted		757,421
Unrestricted		(324,060)
Total		<u>\$11,561,137</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2004. This is the first year of implementation for GASB 34. Comparative figures are not available for fiscal year 2003. A comparative analysis will be provided in future years when prior year information is available.

**Table 2  
Change in Net Assets  
(In Thousands)  
Governmental Activities**

	<b>2004</b>
<u>Revenues:</u>	
Program Revenues:	
Charges for Services and Sales	\$936,940
Operating Grants, Contributions and Interest	563,391
Capital Grants and Contributions	26,950
Total Program Revenues	1,527,281
General Revenues:	
Property Taxes	2,063,743
Income Taxes	820,447
Grants and Entitlements	4,899,566
Investment Earnings	27,843
Gifts and Donations	30,213
Miscellaneous	35,438
General Obligation Bonds Issued	5,763
Proceeds from the Sale of Notes	849,203
Total General Revenues	8,732,216
Total Revenues	10,259,497
 <u>Expenses:</u>	
Instruction	5,779,759
Support Services:	
Pupils	544,368
Instructional Staff	422,124
Board of Education	22,881
Administration	811,772
Fiscal	243,845
Business	7,358
Operation and Maintenance of Plant	994,307
Pupil Transportation	513,633
Central	21,773
Non-Instructional	431,004
Extracurricular Activities	190,166
Capital Outlay	14,079
Interest and Fiscal Charges	225,338
Total Expenses	10,222,407
Increase in Net Assets	\$37,090

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited  
(Continued)**

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3  
Governmental Activities  
(In Thousands)  
Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2004</b>	<b>2004</b>
Instruction	\$5,779,759	\$4,602,061
Support Services:		
Pupils	544,368	540,568
Instructional Staff	422,124	416,083
Board of Education	22,881	22,881
Administration	811,772	811,772
Fiscal	243,845	243,845
Business	7,358	7,358
Operation and Maintenance of Plant	994,307	994,307
Pupil Transportation	513,633	513,633
Central	21,773	21,773
Non-Instructional	431,004	197,296
Extracurricular Activities	190,166	84,132
Capital Outlay	14,079	14,079
Interest and Fiscal Charges	225,338	225,338
Total Expenses	<b>\$10,222,407</b>	<b>\$8,695,126</b>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 80 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 85 percent. The remaining 15 percent are derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, and Permanent Improvement Capital Project Fund. Total governmental funds had revenues of \$12,779,447 and expenditures of \$13,277,056. The net negative change of \$497,609 in fund balance for the year indicates that the District had difficulty in meeting current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the District amended its General Fund budget as needed.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited  
(Continued)**

Final expenditures were budgeted at \$8,244,039 while actual expenditures were \$8,248,671. The \$4,632 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2004, the District had \$14,523,110 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see notes to the basic financial statements.

**Debt**

During fiscal year 2004, the Board of Education refunded the original school facilities improvement bond issue and reissued new bonds. The reasoning for this was to take advantage of lower interest rates. The refunding resulted in a savings to the local taxpayers of approximately \$260,000 over the remaining life of the bonds. As of June 30, 2004, the District had \$2,480,000 in school facilities improvement general obligation bonds for building improvements. The new bonds were issued for a twelve-year period, with final maturity on December 1, 2015. The bonds are being retired through the Bond Retirement debt service fund.

At June 30, 2004, the District's overall legal debt margin was \$7,753,379, with an un-voted debt margin of \$86,149.

For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

The School District is a small rural community in Northeast Ohio. The School District's 2000 population was 6,200. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is holding its own in the state of a declining economy and uncertainty in State funding. As the preceding information shows the District relies heavily upon property taxes, school district income tax, the state foundation program and grants and entitlements. An increase in property tax revenues is expected in fiscal year 2005 due to the increased tax valuations caused by reappraisal. This additional revenue and cuts in the operating expenses will enable the District to remain financially stable. The District has been working to prevent operating fund deficits by implementing budget cuts. The District has negotiated new health insurance plans with all employees in an attempt to control increasing health insurance costs. The district has also decided to not replace staff as current staff retires when feasible. During fiscal year 2004, there was three certified staff members who resigned and or retired that were replaced by the hiring of only one and a half new staff members. Also, two classified staff members retired that were replaced by the hiring of only one new staff member.

The District is also experiencing a loss of state foundation revenues due to the increase of local assessed valuation. For fiscal year 2002, the district's state share percentage was 68.93, for fiscal year 2004 the state share percentage dropped to 64.14 a decrease of 4.79 percent. This decrease along with the uncertainty of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation and the reduction of personal property business inventory are all challenges for the District to manage in the future.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2004  
Unaudited  
(Continued)**

The District is also currently experiencing a declining enrollment. In order to offset the decrease the District adopted an Open Enrollment Policy effective with the 2003 fiscal year. Currently for the 2004-2005 school year the District has a net open enrollment population of approximately 74 students. This is an increase of approximately 45 students from the 2003-2004 school year.

The District believes it can eliminate any future deficits through managing costs without seeking approval of additional operating funds from its voters.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Charlene Mercure, Treasurer, Crestview Local School District, 44100 Crestview Road, Suite A, Columbiana, Ohio 44408.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Statement of Net Assets  
June 30, 2004**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 969,397
Cash and Cash Equivalents with Fiscal Agents	554,678
Investments	115,205
Materials and Supplies Inventory	35,617
Accrued Interest Receivable	1,902
Accounts Receivable	22,600
Intergovernmental Receivable	32,096
Prepaid Items	33,700
Taxes Receivable	2,109,240
Income Taxes Receivable	366,422
Capital Assets:	
Non-Depreciable Capital Assets	250,000
Depreciable Capital Assets, net	14,273,110
Total Assets	<u>18,763,967</u>
<b>LIABILITIES:</b>	
Accounts Payable	11,783
Accrued Wages and Benefits	868,456
Intergovernmental Payable	202,602
Matured Compensated Absences Payable	70,450
Deferred Revenue	1,995,535
Claims Payable	123,425
Long-Term Liabilities:	
Due Within One Year	389,324
Due in More Than One Year	3,541,255
Total Liabilities	<u>7,202,830</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	11,127,776
Restricted for Debt Service	355,293
Restricted for Capital Outlay	281,794
Restricted for Other Purposes	120,334
Unrestricted	(324,060)
Total Net Assets	<u>\$ 11,561,137</u>

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2004**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 4,785,199	\$ 602,691	\$ 155,438	\$ 26,950
Special	825,599		392,619	(4,000,120)
Vocational	118,535			(432,980)
Adult/Continuing	5,597			(118,535)
Other	44,829			(5,597)
				(44,829)
Support Services:				
Pupils	544,368		3,800	(540,568)
Instructional Staff	422,124		6,041	(416,083)
Board of Education	22,881			(22,881)
Administration	811,772			(811,772)
Fiscal	243,845			(243,845)
Business	7,358			(7,358)
Operation and Maintenance of Plant	994,307			(994,307)
Pupil Transportation	513,633			(513,633)
Central	21,773			(21,773)
Operation of Non-Instructional Services	431,004	228,215	5,493	(197,296)
Extracurricular Activities	190,166	106,034		(84,132)
Capital Outlay	14,079			(14,079)
Debt Service:				
Interest and Fiscal Charges	225,338			(225,338)
<b>Totals</b>	<b>\$ 10,222,407</b>	<b>\$ 936,940</b>	<b>\$ 563,391</b>	<b>\$ 26,950</b>
				<b>(8,695,126)</b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,617,636
Property Taxes, Levied for Capital Outlay				142,743
Property Taxes, Levied for Debt Service				260,595
Property Taxes, Levied for Other				42,769
Income Taxes				820,447
Grants and Entitlements not Restricted to Specific Programs				4,899,566
Gifts and Donations				30,213
Investment Earnings				27,843
Miscellaneous				35,438
General Obligation Bonds Issued				5,763
Proceeds from the Sale of Notes				849,203
<b>Total General Revenues and Transfers</b>				<b>8,732,216</b>
Change in Net Assets				37,090
Net Assets Beginning of Year				11,524,047
Net Assets End of Year				<b>\$ 11,561,137</b>

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2004**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Permanent Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 37,964	\$ 341,368	\$ 281,557	\$ 140,800	\$ 801,689
Investments				115,205	115,205
Materials and Supplies Inventory	25,138			10,479	35,617
Accrued Interest Receivable	1,902				1,902
Accounts Receivable	1,037			21,563	22,600
Interfund Receivable	51,270				51,270
Intergovernmental Receivable	500			31,546	32,046
Prepaid Items	33,700				33,700
Taxes Receivable	1,656,309	263,510	149,036	40,385	2,109,240
Income Taxes Receivable	366,422				366,422
Noncurrent Assets:					
Advances to Other Funds	33,581				33,581
<b>Total Assets</b>	<b>\$ 2,207,823</b>	<b>\$ 604,878</b>	<b>\$ 430,593</b>	<b>\$ 359,978</b>	<b>\$ 3,603,272</b>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	106			11,677	11,783
Accrued Wages and Benefits	769,664			98,792	868,456
Interfund Payable				51,220	51,220
Intergovernmental Payable	124,478			12,744	137,222
Matured Compensated Absences Payable	69,395			1,055	70,450
Deferred Revenue	1,682,874	258,245	149,036	36,612	2,126,767
Noncurrent Liabilities:					
Advances from Other Funds				33,581	33,581
<b>Total Liabilities</b>	<b>2,646,517</b>	<b>258,245</b>	<b>149,036</b>	<b>245,681</b>	<b>3,299,479</b>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	6,689		2,928	25,511	35,128
Reserved for Inventory	25,138			10,479	35,617
Reserved for Prepaid Items	33,700				33,700
Reserved for Advances	33,581				33,581
Reserved for Property Taxes	30,848	5,265		3,773	39,886
Unreserved, Undesignated, Reported in:					
General Fund	(568,650)				(568,650)
Special Revenue Funds				76,163	76,163
Debt Service Funds		341,368			341,368
Capital Projects Funds			278,629	(1,629)	277,000
<b>Total Fund Balances</b>	<b>(438,694)</b>	<b>346,633</b>	<b>281,557</b>	<b>114,297</b>	<b>303,793</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,207,823</b>	<b>\$ 604,878</b>	<b>\$ 430,593</b>	<b>\$ 359,978</b>	<b>\$ 3,603,272</b>

See Accompanying Notes to the Basic Financial Statements



**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2004**

Total Governmental Fund Balances	\$	303,793
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		14,523,110
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		131,232
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(65,380)
Internal Service Fund		
Claims Payable		(123,425)
Internal Service Cash		722,386
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
General Obligation Bonds Payable	(2,519,334)	
Leases Payable	(876,000)	
Compensated Absences Payable	(535,245)	
	(3,930,579)	
Net Assets of Governmental Activities	\$	11,561,137

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Property and Other Local Taxes	\$ 1,683,611	\$ 270,349	\$ 153,512	\$ 39,076	\$ 2,146,548
Income Tax	763,034				763,034
Intergovernmental	4,703,550	30,578	17,882	757,268	5,509,278
Interest	16,362	4,680		1,988	23,030
Tuition and Fees	539,391				539,391
Rent	409				409
Extracurricular Activities				163,775	163,775
Gifts and Donations	660			29,553	30,213
Customer Sales and Services	5,150			228,215	233,365
Miscellaneous	4,733			29,529	34,262
Total Revenues	<u>7,716,900</u>	<u>305,607</u>	<u>171,394</u>	<u>1,249,404</u>	<u>9,443,305</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	4,011,784		21,863	198,809	4,232,456
Special	444,933			419,165	864,098
Vocational	140,258				140,258
Other	25,043			13,500	38,543
Support Services:					
Pupils	496,640			83,308	579,948
Instructional Staff	409,479			22,940	432,419
Board of Education	22,881				22,881
Administration	772,435			7,628	780,063
Fiscal	222,664	6,185	3,594	831	233,274
Operation and Maintenance of Plant	894,182		639	49,249	944,070
Pupil Transportation	550,136				550,136
Central	21,357			456	21,813
Operation of Non-Instructional Services				397,168	397,168
Extracurricular Activities	163,300		763,691	118,689	1,045,680
Capital Outlay	2,837				2,837
Debt Service:					
Principal	80,000	2,688,426	81,008		2,849,434
Interest		105,974	36,004		141,978
Total Expenditures	<u>8,257,929</u>	<u>2,800,585</u>	<u>906,799</u>	<u>1,311,743</u>	<u>13,277,056</u>
Excess of Revenues Over (Under) Expenditures	<u>(541,029)</u>	<u>(2,494,978)</u>	<u>(735,405)</u>	<u>(62,339)</u>	<u>(3,833,751)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>					
General Obligation Bonds Issued		2,485,763			2,485,763
Proceeds from Sale of Fixed Assets			1,176		1,176
Proceeds from the Sale of Notes			849,203		849,203
Total Other Financing Sources and Uses	<u>-</u>	<u>2,485,763</u>	<u>850,379</u>	<u>-</u>	<u>3,336,142</u>
Net Change in Fund Balances	(541,029)	(9,215)	114,974	(62,339)	(497,609)
Fund Balance (Deficit) at Beginning of Year	102,335	355,848	166,583	176,636	801,402
Fund Balance (Deficit) at End of Year	<u>\$ (438,694)</u>	<u>\$ 346,633</u>	<u>\$ 281,557</u>	<u>\$ 114,297</u>	<u>\$ 303,793</u>

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement Activities  
For the Fiscal Year Ended June 30, 2004**

Net Change in Fund Balances - Total Governmental Funds \$ (497,609)

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

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	1,003,045	
Depreciation	<u>(506,878)</u>	
		496,167

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets		
Gain (Loss) on Disposal of Capital Assets		(82,433)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	(19,371)	
Interest	4,813	
Delinquent Property Taxes	(82,805)	
Income Taxes	<u>57,413</u>	
		(39,950)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 286,074

Internal service fund is not included in governmental fund financial statements. (136,658)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(19,233)	
Compensated Absences Payable	<u>30,732</u>	
		11,499

Change in Net Assets of Governmental Activities		\$ <u><u>37,090</u></u>
---	--	-------------------------

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 1,787,722	\$ 1,693,035	\$ 1,693,035	-
Income Tax	874,600	805,531	805,531	-
Intergovernmental	5,126,788	4,703,050	4,703,050	-
Interest	83,000	14,996	18,150	3,154
Tuition and Fees	329,336	539,107	539,224	117
Rent	1,000	409	409	-
Gifts and Donations	600	660	660	-
Customer Sales and Services	1,000	5,150	5,150	-
Miscellaneous	100	4,516	4,516	-
<b>Total Revenues</b>	<u>8,204,146</u>	<u>7,766,454</u>	<u>7,769,725</u>	<u>3,271</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	4,020,851	4,024,269	4,045,539	(21,270)
Special	415,718	415,718	435,203	(19,485)
Vocational	130,083	130,083	139,507	(9,424)
Other	10,000	10,000	25,043	(15,043)
Support Services:				
Pupils	561,230	582,226	505,354	76,872
Instructional Staff	322,782	315,782	402,316	(86,534)
Board of Education	40,500	30,940	21,511	9,429
Administration	752,010	753,579	757,525	(3,946)
Fiscal	220,165	219,547	215,126	4,421
Operation and Maintenance of Plant	916,224	947,658	957,628	(9,970)
Pupil Transportation	517,070	571,309	551,927	19,382
Central	29,728	29,728	21,367	8,361
Extracurricular Activities	188,200	188,200	163,168	25,032
Capital Outlay	20,000	5,000	3,837	1,163
<b>Total Expenditures</b>	<u>8,144,561</u>	<u>8,224,039</u>	<u>8,245,051</u>	<u>(21,012)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>59,585</u>	<u>(457,585)</u>	<u>(475,326)</u>	<u>(17,741)</u>
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures		1,028	1,028	-
Advances In		6,423	6,423	-
Advances Out	(20,000)	(20,000)	(3,620)	16,380
<b>Total Other Financing Sources and Uses</b>	<u>(20,000)</u>	<u>(12,549)</u>	<u>3,831</u>	<u>16,380</u>
<b>Net Change in Fund Balances</b>	<u>39,585</u>	<u>(470,134)</u>	<u>(471,495)</u>	<u>(1,361)</u>
Fund Balance (Deficit) at Beginning of Year	422,055	422,055	422,055	-
Prior Year Encumbrances Appropriated	80,609	80,609	80,609	-
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 542,249</u>	<u>\$ 32,530</u>	<u>\$ 31,169</u>	<u>\$ (1,361)</u>

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Statement of Fund Net Assets  
Internal Service Fund  
June 30, 2004**

	<u>Internal Service</u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 167,708
Cash and Cash Equivalents with Fiscal Agents	<u>554,678</u>
Total Current Assets	<u>722,386</u>
Total Assets	<u><u>722,386</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Claims Payable	<u>123,425</u>
Total Current Liabilities	<u>123,425</u>
Total Liabilities	<u><u>123,425</u></u>
<b>NET ASSETS:</b>	
Unrestricted	<u>596,961</u>
Total Net Assets	<u><u>\$ 596,961</u></u>

See Accompanying Notes to Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2004**

**OPERATING REVENUES:**

Charges for Services	\$ 813,496
Total Operating Revenues	<u>813,496</u>

**OPERATING EXPENSES:**

Fringe Benefits	3,402
Purchased Services	143,410
Claims	<u>803,342</u>
Total Operating Expenses	<u>950,154</u>
Operating Income (Loss)	<u>(136,658)</u>

**NON-OPERATING REVENUES (EXPENSES):**

Interest	<u>4,813</u>
Total Non-Operating Revenues (Expenses)	<u>4,813</u>
Net Change in Net Assets	(131,845)

Net Assets (Deficit) at Beginning of Year	730,806
Net Assets (Deficit) at End of Year	<u>\$ 598,961</u>

See Accompanying Notes to Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Statement of Cash Flows  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2004**

		Internal Service
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Charges for Services	\$	813,496
Cash Payments for Contract Services		(83,019)
Cash Payments for Employee Benefits		(3,402)
Cash Payments for Claims		(803,342)
<b>Net Cash Used by Operating Activities</b>		<b>(76,267)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest Received		4,813
<b>Net Cash Provided (Used) by Investing Activities</b>		<b>4,813</b>
Net Increase (Decrease) in Cash and Cash Equivalents		(71,454)
Cash and Cash Equivalents at Beginning of Year		793,840
<b>Cash and Cash Equivalents at End of Year</b>	\$	<b>722,386</b>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:</b>		
Operating Income (Loss)	\$	(136,658)
Adjustments		
Increase (Decrease) in Liabilities:		
Claims Payable		60,391
<b>Net Cash Used by Operating Activities</b>	\$	<b>(76,267)</b>

See Accompanying Notes to Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2004**

	<u>Agency Fund</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>26,581</u>
Total Assets	<u>26,581</u>
<b>Liabilities</b>	
Current Liabilities:	
Undistributed Monies	26,581
Total Liabilities	\$ <u><u>26,581</u></u>

See Accompanying Notes to the Basic Financial Statements



**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Crestview Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Crestview Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 41 non-certified and 91 certified full-time teaching personnel who provide services to 1,031 students and other community members.

**The Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Area Cooperative Computerized Educational Service System, Columbiana County Career Center, Columbiana County School Employees Insurance Consortium, Ohio Association School Business Officials Workers' Compensation Group Rating Program. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

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 and liabilities is reported as fund balance. The General Fund, the Bond Retirement Fund, and the Permanent Improvement Capital Projects Fund are the District's major governmental funds:

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

Bond Retirement Fund – The Bond Retirement is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Permanent Improvement Capital Projects Fund - The permanent improvement fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency funds.

**C. Measurement Focus**

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

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 generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary Funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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, grants, investment earnings, tuition, and student fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenditures/Expenses

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

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the function level within the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level within the General Fund and the function and object level in all other funds are made by the treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2004, investments were limited to STAR Ohio and repurchase agreements. Investments in nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. 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, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$16,322 and \$6,668 to other District funds.

For presentation of the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**H. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for the acquisition or construction of capital assets and budget stabilization.

**I. Capital Assets**

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

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**L. Accrued Liabilities and Long-Term Obligations**

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

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions 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 year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**N. Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, property taxes, and prepaid items.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**O. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

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

**P. Estimates**

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

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

**A. Changes in Accounting Principles**

For fiscal year 2004, the District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments;" GASB No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues," GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The District restated the fund liability of compensated absences that had not matured during fiscal year 2003.

**B. Restatement of Fund Balance**

The restatements for fund classifications, GASB Statement No. 34, and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.



**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Fund Balance June 30, 2003	\$92,694	\$355,848	\$166,583	\$155,595	\$770,720
GASB Statement 34 Adjustment					
Change in Fund Structure - Trust				136,674	136,674
Change in Fund Structure - Enterprise				(125,642)	(125,642)
Interpretation 6 Adjustments:					
Compensated Absences Payable	9,641			10,009	19,650
Adjusted Fund Balance	<u>\$102,335</u>	<u>\$355,848</u>	<u>\$166,583</u>	<u>\$176,636</u>	801,402
GASB 34 Adjustments:					
Deferred Revenue					175,995
Capital Assets					14,109,376
Long-Term Liabilities					(4,293,532)
Internal Service Fund					730,806
Governmental Activities Net Assets at June 30, 2003					<u>\$11,524,047</u>

**4. BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

<b>Net Change in Fund Balance Major Governmental Fund</b>	
GAAP Basis	(\$541,029)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2003, Received In Cash FY 2004	397,149
Accrued FY 2004, Not Yet Received in Cash	(343,296)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(885,131)
Accrued FY 2004, Not Yet Paid in Cash	904,805
Advances Net	2,803
Encumbrances Outstanding at Year End (Budget Basis)	(6,796)
Budget Basis	(\$471,495)

**5. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawal 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 monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of 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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of any securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio) and,
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances corporate debt interest rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

Protection of 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 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.

**Cash on Hand:** At fiscal year-end, the District had \$420 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents," but it not included in the total amount of deposits reported below.

**Cash with Fiscal Agent:** At fiscal year-end, \$722,386 was on deposit with the District's fiscal agent for its self-insurance reserves and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet, as "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

**Deposits:** At the year-end, the carrying amount of the District's deposits was \$1,657,600 and the bank balance was \$1,690,436. Of the bank balance:

1. \$433,839 was covered by Federal Depository Insurance; and
2. \$1,256,597 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

**Investments:** Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterpart's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterpart or by its trust department but not in the District's name. The District's investment in Star Ohio, which is the State Treasurer's Investment Pool and deferred compensation, is not categorized because it is not evidenced by securities that exist in physical or book entry form. The investment pool pro rates earnings based on invested balances.

<b>Investments</b>	<b>Category 3</b>	<b>Cost Value</b>	<b>Fair Value</b>
Repurchase Agreement	\$2,490	\$2,490	\$2,490
Securities	3,122	3,122	3,122
STAR Ohio		2,240	2,240
Total	\$5,612	\$7,852	\$7,852

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Non-Expandable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the combined Balance Sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<b>Pooled Cash and Cash Equivalents</b>	<b>Investments</b>
GASB Statement No. 9	\$1,550,667	\$115,205
Cash on Hand	(420)	
Certificate of Deposit	115,205	(115,205)
Investments:		
Repurchase Agreement	(2,490)	2,490
Securities	(3,122)	3,122
STAR Ohio	(2,240)	2,240
GASB Statement No. 3	\$1,657,600	\$7,852

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2004 were levied after April 1, 2003, on the assessed values as of December 31, 2002, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes for 2004 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2004 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2004 was \$30,848 in the General Fund, \$5,265 in the Debt Service Fund and \$3,773 in the Special Revenue Fund. The amount available as an advance at June 30, 2003 was \$40,272 in the General Fund, \$6,887 in the Debt Service Fund, \$4,027 in the Capital Projects Fund, and \$900 in the Special Revenue Fund.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$67,189,030	78%	\$69,405,050	81%
Industrial/Commercial	6,001,550	7%	6,134,960	7%
Public Utility	5,784,930	7%	5,800,580	7%
Tangible Personal	7,251,030	8%	4,808,070	5%
Total Assessed Value	<u>\$86,226,540</u>	<u>100%</u>	<u>\$86,148,660</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$38.62		\$36.62	

**7. SCHOOL DISTRICT INCOME TAX**

The voters of the District passed a 1% permanent school district income tax in the November 1989 election that became effective January 1, 1990. School district income tax revenue received by the General Fund during fiscal year 2004 was \$763,034.

**8. RECEIVABLES**

Receivables at June 30, 2004, consisted of property, accounts (rent and student fees), intergovernmental, and accrued interest. 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 year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General	\$500
Food Service	13,890
Title I	17,546
Drug Free Schools	110
Total Intergovernmental Receivables	<u>\$32,046</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance at 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/04</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$250,000			\$250,000
Total Nondepreciable Capital Assets	250,000			250,000
Depreciable Capital Assets				
Land Improvements	10,827	\$28,248		39,075
Buildings and Building Improvements	16,061,124	873,510	\$50,431	16,884,203
Furniture, Fixtures, and Equipment	643,754	44,098		687,852
Vehicles	909,713	57,189	41,524	925,378
Books	90,552		90,552	
Total Depreciable Capital Assets	17,715,970	1,003,045	182,507	18,536,508
Less Accumulated Depreciation				
Land Improvements	541	893		1,434
Buildings and Building Improvements	3,205,057	398,894	39,294	3,564,657
Furniture, Fixtures, and Equipment	150,774	36,178		186,952
Vehicles	469,121	70,438	29,204	510,355
Books	31,101	475	31,576	
Total Accumulated Depreciation	3,856,594	506,878	100,074	4,263,398
Depreciable Capital Assets, Net	13,859,376	496,167	82,433	14,273,110
Governmental Activities Capital Assets, Net	<u>\$14,109,376</u>	<u>\$496,167</u>	<u>\$82,433</u>	<u>\$14,523,110</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$206,444
Special	36,692
Vocational	6,671
Support Services:	
Pupil	10,959
Instructional Staff	30,020
Administration	40,872
Fiscal	6,671
Business	345
Operation and Maintenance of Plant	35,097
Pupil Transportation	82,318
Non-Instructional Services	18,001
Extracurricular	32,683
Capital Outlay	105
Total Depreciation Expense	<u>\$506,878</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

The District restated Capital Assets at the beginning of the year as follows:

Balance at June 30, 2003	\$20,909,125
Restatement	<u>(2,943,155)</u>
Balance, Restated	<u>\$17,965,970</u>

**10. RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2004, the District has contracted with the following insurance companies to provide coverage in the following amounts:

Coverage	Limits of Coverage	Deductible
<u>Ohio School Plan</u>		
General liability:		
Each occurrence	\$1,000,000	\$0
Aggregate	3,000,000	\$0
Umbrella liability:		
Each occurrence	1,000,000	\$0
Aggregate	3,000,000	\$0
<u>Ohio School Plan</u>		
Fleet:		
Comprehensive	2,000,000	\$500
Collision	2,000,000	\$500
<u>Cincinnati Insurance Company</u>		
Building and contents	20,279,945	\$1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal 2004.

**B. Health and Dental Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a Self-Insurance Fund in the Internal Service Fund Type to account for and finance its uninsured risks of loss. Under this program, the Self-Insurance Fund provides coverage for up to a maximum of \$60,000 per claim per employee. The District purchases commercial insurance for claims in excess of coverage provided by this Fund and for other risks of loss including annual aggregate stop loss coverage for annual claims paid. Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years.



**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

All funds of the District participate in the program and make payment to the Self-Insurance Fund based upon actuarial estimates of the amounts needed to pay prior and current-year claims. The claims liability of \$123,425 reported in the Self Insurance Internal Service Fund at June 30, 2004 is based upon the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of financial statements and the amount of the loss can be reasonably estimated.

Claims in the Fund's claims liability during Fiscal 2003 and 2004 were:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2003	\$65,937	\$68,464	\$71,367	\$63,034
2004	\$63,034	\$143,410	\$83,019	\$123,425

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 11. As such, no funding provisions are required by the District.

**C. OSBA Group Rating Program**

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all 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 insures 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District continues to carry commercial insurance for all other risks of loss including liability insurance for all district employees. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**This page intentionally left blank.**

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. DEFINED PENSION BENEFIT PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$151,427, \$139,150, and \$131,970, respectively, 51 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. The unpaid contributions for fiscal year 2004 are \$77,063.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. DEFINED PENSION BENEFIT PLANS (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The District is required to contribute at an actuarially determine rate. The District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$599,474, \$552,101, and \$547,166, respectively; 82 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$ made by the School District and \$ made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, four board members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**12. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$ during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll, a decrease of .92% from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the District, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled \$

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits.

**13. COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 2 weeks of vacation per year after 1 year of service, 3 weeks of vacation per year after 8 years of service, and 4 weeks of vacation per year after 15 years of service. The 4 principals, special education supervisor, superintendent and treasurer do not earn vacation; their contracts are for a specific number of days and the rest of the year are non-contract days. The high school principal is contracted for 240 days, the middle school principal for 240 days, and the elementary principal for 220 days, and the superintendent for 240 days. The treasurer is contracted for 240 days, and the special education supervisor for 200 days, and the assistant principal 220 days. Accumulated, unused vacation time is not paid to classified employees and administrators upon termination of employment. Certified employees do not earn vacation.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated up to a maximum of 15 days per year for all personnel. The total lifetime maximum sick leave accumulation of 265 days for administrators, 250 days for certified employees, and 235 days for classified employees. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 47 days for certified employees, and 48 days for classified employees.

**14. LONG-TERM OBLIGATIONS**

The general obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the Government – Wide Financial Statements. The source of payment is derived from current 5.92 mill bonded debt tax levy.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

During the year ended June 30, 2004, the following changes occurred in obligations reported in the Government – Wide Financial Statements:

	<b>Balance at 6/30/03</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at 6/30/04</b>	<b>Due Within One Year</b>
General Obligation Bond Payable	\$2,660,000		\$180,000	\$2,480,000	\$250,000
Energy Conservation Notes Payable	61,593		22,259	39,334	23,281
Asbestos Abatement Loan Payable	3,815		3,815		
Capital Lease Obligation	956,000		80,000	876,000	85,000
Pension Obligation	46,147		46,147		
Compensated Absences	565,977	\$535,245	565,977	535,245	31,043
<b>Total</b>	<b>\$4,293,532</b>	<b>\$535,245</b>	<b>\$898,198</b>	<b>\$3,930,579</b>	<b>\$389,324</b>

**School Energy Conservation Note**

In prior fiscal years, the District issued unvoted long-term “energy conservation” notes, under authority of H.B. 264. Energy conservation notes outstanding are general obligations of the District, for which the District’s full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the government wide net assets statement. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes without voter approval, and the subsequent repayment of the notes from operation revenues.

**Asbestos Abatement**

In fiscal 1991, the District received a loan from the U.S. Environmental Protection Agency for an asbestos abatement project. The loan is interest free as long as the District remains current on repayment. This loan is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The outstanding balance of the loan is reported in the government wide net assets statement. Payments are recorded as expenditures of the debt service fund, from current operating revenue.

Total expenditures for interest for the above debt for the period ended June 30, 2004 was \$141,978.

The scheduled payments of principal and interest on debt outstanding at June 30, 2004 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$273,281	\$54,693	\$327,974
2006	271,053	49,260	320,313
2007	250,000	43,887	293,887
2008	245,000	38,631	283,631
2009	250,000	32,750	282,750
2010-2014	1,055,021	181,417	1,236,438
2015-2017	174,979	245,024	420,003
<b>Total</b>	<b>\$2,519,334</b>	<b>\$645,662</b>	<b>\$3,164,996</b>

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. CAPITALIZED LEASES – LESSEE DISCLOSURE**

The District has entered into capitalized lease for the acquisition for the construction a football stadium and track.

The terms of the agreement provides an option to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in the government wide net assets statement in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the government wide net assets statement. Principal payments in the 2004 fiscal year totaled \$80,000. This amount is reflected as debt service principal retirement in the Capital Projects Fund.

The following is an analysis of the equipment under capital lease as of June 30, 2004:

Football Stadium and Track, Carrying Value	<u>\$876,000</u>
--	------------------

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Year Ending June 30,</u>	<u>Payments</u>
2005	\$119,825
2006	118,246
2007	118,245
2008	117,809
2009	117,923
2010	117,679
2011	117,055
2012	117,017
2013	<u>117,720</u>
Total Future Minimum Lease Payments	1,061,519
Less: Amount Representing Interest	<u>(185,519)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$876,000</u></u>

**16. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside Cash Balance as of June 30, 2003	(\$139,555)	
Current Year Set-aside Requirement	157,543	\$157,543
Current Year Offsets		(193,742)
Qualifying Disbursements	(114,967)	
Total	(\$96,979)	(\$36,199)

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for the capital acquisition reserve, this extra amount is presented as being carried forward to the next fiscal year.

**17. JOINTLY GOVERNED ORGANIZATIONS**

**A. Area Cooperative Computerized Educational Service System**

Area Cooperative Computerized Educational Service System (ACCESS), a not-for-profit computer service, is jointly governed by 24 districts within Mahoning and Columbiana counties. ACCESS is governed by an assembly consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the assembly. Members of ACCESS are assessed annual user fees and periodic capital improvement fees based on their average daily membership. The members do have an ongoing financial interest in ACCESS, however, they do not have an equity interest. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 100, Youngstown, Ohio 44512-7019.

**B. Columbiana County Career Center**

The Columbiana County Career Center is a jointly governed organization, which provides for the vocational and special education needs for the students of 8 participating school districts. The Board of Education members are appointed by the local boards of education from among 1 of its elected members. The Career Center Board of Education exercises total control over its operations, including budgeting, appropriating, contracting, and the designation of management. All revenues are generated from tax levies, State funding, and fees. Financial information is available from the Columbiana County Career Center, Treasurer's Office, 9364 State Route 45, Lisbon, Ohio 44432.

**18. GROUP PURCHASING POOLS**

**A. Columbiana Country School Employees Insurance Consortium**

Columbiana County Employees Insurance Consortium is a shared risk pool. The consortium provides services to the six member schools including, health, dental, prescription drug and life insurance. The board of Directors is comprised of the Superintendent from each District. All claims are processed through a third-party administrator, and the fiscal agent and budgeting authority is East Palestine City School District. Financial information can be obtained by writing to the East Palestine City School District, 200 West North Avenue, East Palestine, Ohio 44413-1772.



**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**B. Ohio Association Schools Business Officials Workers' Compensation Group Rating Program**

The District participates in a group rating program for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School business Officials Workers' Compensation Group Rating Program (the "Program") was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the Program. Refer to note 10 for further information on this group rating plan.

**19. SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**20. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program		10.550		\$23,399		\$23,399
National School Breakfast Program	05PU-2003 05PU-2004	10.553	2,761 18,955		2,761 18,955	
			<b>21,716</b>		<b>21,716</b>	
National School Lunch Program	LLN4-2003 LLP4-2004	10.555	13,823 77,910		13,823 77,910	
			<b>91,733</b>		<b>91,733</b>	
Total U.S. Department of Agriculture - Nutrition Cluster			<b>113,449</b>	<b>\$23,399</b>	<b>113,449</b>	<b>\$23,399</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Step Up to the Plate - Mini Grant	TWSU-2004	10.574	<b>2,000</b>			
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2003 C1-S1-2004	84.010	38,589 248,831		46,079 247,427	
Total Grants to Local Educational Agencies (Title 1)			<b>287,420</b>		<b>293,506</b>	
Drug Free Schools	DR-S1-2003 DR-S1-2004	84.186	957 3,690		1,720 3,801	
Total Drug Free Schools			<b>4,647</b>		<b>5,521</b>	
Innovative Educational Program	C2-S1-2004	84.298	<b>6,041</b>		<b>6,041</b>	
Technology Literacy Challenge Fund Grant	TJ-S1-2004	84.318	<b>6,903</b>		<b>6,903</b>	
School Renovation Idea/Technology	AT-S3-2002	84.352A	<b>(20)</b>		<b>389</b>	
Title II-A, State grants for Improving Teacher Quality	TR-S1-2003 TR-S1-2004	84.367	66,313		6,276 66,313	
Total Title II-A, State Grants for Improving Teacher Quality			66,313		72,589	
Total U.S. Department of Education			<b>373,304</b>		<b>384,949</b>	
<b>Totals</b>			<b>\$486,753</b>	<b>\$23,399</b>	<b>\$498,398</b>	<b>\$23,399</b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**FISCAL YEAR ENDED JUNE 30, 2004**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B—FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

**This page intentionally left blank.**



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Crestview Local School District  
Columbiana County  
44100 Crestview Road #A  
Columbiana, Ohio 44408

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Crestview Local School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to District's management in a separate letter dated May 12, 2005.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Crestview Local School District  
Columbiana County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 12, 2005



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Crestview Local School District  
Columbiana County  
44100 Crestview Road #A  
Columbiana, Ohio 44408

#### Compliance

We have audited the compliance of Crestview Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on District's compliance with those requirements.

In our opinion, District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

#### Internal Control Over Compliance

The management of District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies' and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 12, 2005



**This page intentionally left blank.**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 ' .505**

**CRESTVIEW LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY  
JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs= Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under ' .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 10.550, 10.553 & 10.555 Nutrition Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CRESTVIEW LOCAL SCHOOL DISTRICT**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 21, 2005**