

**CRESTVIEW LOCAL
SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2004***

CHRISTINA BENNETT, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Crestview Local School District
1575 St. Rt. 96
Ashland, Ohio 44805

We have reviewed the Independent Auditor's Report of the Crestview Local School District, Richland County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 to June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 19, 2005

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**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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TRIMBLE, JULIAN & GRUBE, INC.

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Independent Auditor's Report

Board of Education
Crestview Local School District
1575 St. Rt. 96
Ashland, Ohio 44805

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestview Local School District, Richland County, Ohio (the “District”), as of and for the fiscal 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 *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 basic 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 basic 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 the Crestview Local School District, Richland County, Ohio as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the fiscal year ended June 30, 2004. In addition, the District had a change in accounting principle for its threshold for capital assets as described in Note 2.H.

Independent Auditor's Report
Crestview Local School District

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crestview Local School District, Richland County Ohio, basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as 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 of the Crestview Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Trimble, Julian & Grube, Inc.
November 21, 2004

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The management's discussion and analysis of the Crestview Local School District's (the "District") 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 the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$17,794,042 which represents a 176.65% increase from 2003.
- General revenues accounted for \$26,250,579 in revenue or 95.15% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,338,531 or 4.85% of total revenues of \$27,589,110.
- The District had \$9,795,068 in expenses related to governmental activities; \$1,338,531 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$26,250,579 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and classroom facilities fund. The general fund had \$8,430,646 in revenues and other financing sources and \$7,851,802 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance increased \$578,844 from \$2,310,663 to \$2,889,507.
- The District's debt service fund had \$697,949 in revenues and \$455,384 in expenditures. During fiscal year 2004, the debt service fund's fund balance increased \$242,565 from \$488,458 to \$731,023.
- The District's classroom facilities fund had \$5,014,116 in revenues and \$1,100,307 in expenditures. During fiscal year 2004, the classroom facilities fund's fund balance increased \$3,913,809 from \$2,318,719 to \$6,232,528.

Using these Basic Financial Statements

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

The *Statement of Net Assets* and *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 the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the 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 Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-56 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	Net Assets
	Governmental Activities <u>2004</u>
<u>Assets</u>	
Current and other assets	\$ 26,720,543
Capital assets	<u>9,997,599</u>
Total assets	<u>36,718,142</u>
<u>Liabilities</u>	
Current liabilities	3,442,759
Long-term liabilities	<u>5,408,436</u>
Total liabilities	<u>8,851,195</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	5,004,914
Restricted	8,180,318
Unrestricted	<u>14,681,715</u>
Total net assets	<u>\$ 27,866,947</u>

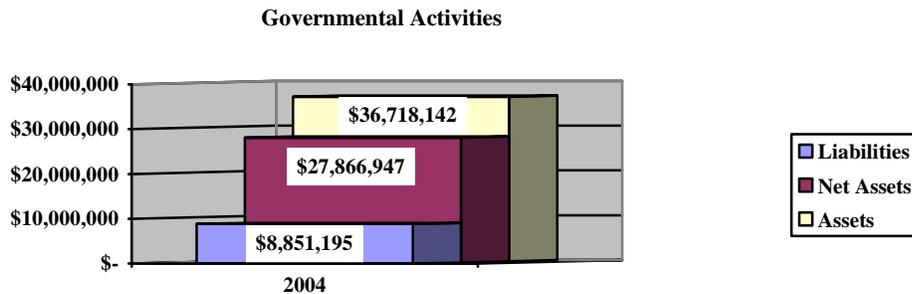
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$27,866,947. Of this total, \$14,681,715 is unrestricted in use.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

At year-end, capital assets represented 27.23% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$5,004,914. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$8,180,318, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$14,681,715 may be used to meet the District's ongoing obligations to the students and creditors. The table below illustrates the District's assets, liabilities, and net assets at June 30, 2004:



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities <u>2004</u>
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 489,746
Operating grants and contributions	822,935
Capital grants and contributions	25,850
General revenues:	
Property taxes	2,448,782
Grants and entitlements	23,651,281
Investment earnings	142,233
Other	<u>8,283</u>
Total revenues	<u>27,589,110</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Change in Net Assets

	Governmental Activities <u>2004</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 4,098,400
Special	1,131,546
Vocational	202,638
Support services:	
Pupil	349,137
Instructional staff	392,925
Board of education	66,314
Administration	605,226
Fiscal	191,707
Business	1,036
Operations and maintenance	800,988
Pupil transportation	805,016
Central	44,579
Food service operations	434,480
Operations of non-instructional services	36,496
Extracurricular activities	379,036
Interest and fiscal charges	<u>255,544</u>
Total expenses	<u>9,795,068</u>
Increase in net assets	<u>\$ 17,794,042</u>

Governmental Activities

Net assets of the District's governmental activities increased \$17,794,042. Total governmental expenses of \$9,795,068 were offset by program revenues of \$1,338,531 and general revenues of \$26,250,579. Program revenues supported 13.67% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 94.60% of total governmental revenue.

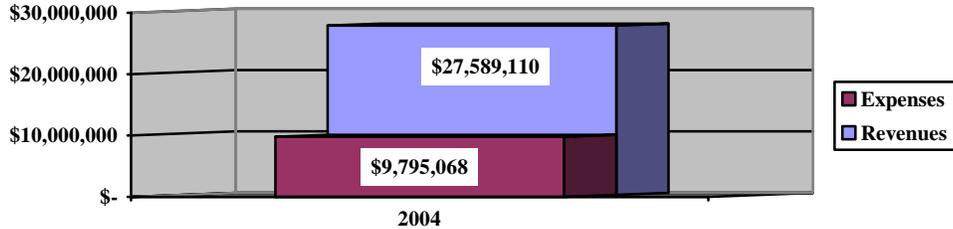
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,432,584 or 55.46% of total governmental expenses for fiscal year 2004.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses		
Instruction:		
Regular	\$ 4,098,400	\$ 3,901,011
Special	1,131,546	626,104
Vocational	202,638	202,638
Support services:		
Pupil	349,137	325,371
Instructional staff	392,925	309,516
Board of education	66,314	63,914
Administration	605,226	605,226
Fiscal	191,707	191,707
Business	1,036	709
Operations and maintenance	800,988	794,786
Pupil transportation	805,016	805,016
Central	44,579	30,579
Food service operations	434,480	34,283
Operations of non-instructional services	36,496	36,496
Extracurricular activities	379,036	273,637
Interest and fiscal charges	255,544	255,544
Total expenses	<u>\$ 9,795,068</u>	<u>\$ 8,456,537</u>

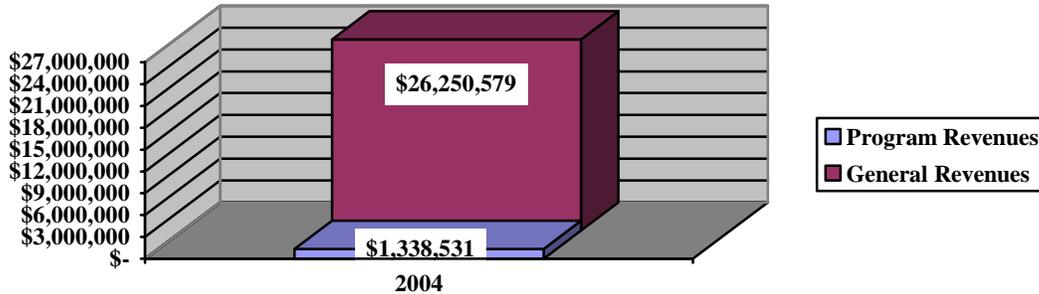
The dependence upon tax and other general revenues for governmental activities is apparent, 87.06% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.33%. The District's taxpayers, as a whole, are by far the primary support for the District's students.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The graph below presents the District's governmental activities revenue for fiscal year 2004.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$11,018,789, which is higher than last year's total of \$6,250,114. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	(Restated) Fund Balance June 30, 2003	Increase	Percentage Change
General	\$ 2,889,507	\$ 2,310,663	\$ 578,844	25.05 %
Debt Service	731,023	488,458	242,565	49.66 %
Classroom Facilities	6,232,528	2,318,719	3,913,809	168.79 %
Other Governmental	<u>1,165,731</u>	<u>1,132,274</u>	<u>33,457</u>	2.95 %
Total	<u>\$11,018,789</u>	<u>\$ 6,250,114</u>	<u>\$ 4,768,675</u>	76.30 %

General Fund

The District's general fund balance increased by \$578,844 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The increase in fund balance can be attributed to several items related to increasing revenues. Revenues exceed expenditures for fiscal year 2004 by \$578,844. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,112,460	\$ 1,821,541	\$ 290,919	15.97 %
Earnings on investments	98,176	42,373	55,803	131.69 %
Intergovernmental	6,128,621	5,516,517	612,104	11.10 %
Other revenues	<u>83,520</u>	<u>103,685</u>	<u>(20,165)</u>	(19.45) %
 Total	 <u>\$ 8,422,777</u>	 <u>\$ 7,484,116</u>	 <u>\$ 938,661</u>	 12.54 %
<u>Expenditures</u>				
Instruction	\$ 4,506,877	\$ 4,382,356	\$ 124,521	2.84 %
Support services	2,864,214	2,840,482	23,732	0.84 %
Non-instructional services	34,696	28,189	6,507	23.08 %
Extracurricular activities	261,719	253,214	8,505	3.36 %
Facilities acquisition and construction	27,054	137,438	(110,384)	(80.32) %
Capital outlay	7,771	36,397	(28,626)	(78.65) %
Debt service	<u>142,771</u>	<u>5,166</u>	<u>137,605</u>	2,663.67 %
 Total	 <u>\$ 7,845,102</u>	 <u>\$ 7,683,242</u>	 <u>\$ 161,860</u>	 2.11 %

Debt Service Fund

The District's debt service fund had \$697,949 in revenues and \$455,384 in expenditures. During fiscal year 2004, the debt service fund's fund balance increased \$242,565 from \$488,458 to \$731,023.

Classroom Facilities Fund

The District's classroom facilities fund had \$5,014,116 in revenues and \$1,100,307 in expenditures. During fiscal year 2004, the classroom facilities fund's fund balance increased \$3,913,809 from \$2,318,719 to \$6,232,528.

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 several times. For the general fund, original budgeted revenues and other financing sources were \$7,710,500 and final budgeted revenues and other financing sources were \$8,078,900. Actual revenues and other financing sources for fiscal year 2004 was \$8,354,265. This represents a \$275,365 increase over final budgeted revenues and other financing sources. The increase is primarily due to the conservative budgeting of taxes and intergovernmental revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$8,226,703 and final appropriations were \$8,368,640. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$8,006,059, which was \$362,581 lower than the final budget appropriations.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$9,997,599 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal year 2004 balances compared to 2003:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 194,705	\$ 194,705
Land improvements	171,522	163,198
Building and improvements	7,981,273	8,220,299
Furniture and equipment	175,504	203,394
Vehicles	365,802	472,073
Construction in progress	1,108,793	-
Total	\$ 9,997,599	\$ 9,253,669

The overall increase in capital assets of \$743,930 is due to capital outlays of \$1,171,394 exceeding depreciation expense of \$425,889 and disposals of \$1,575 (net of accumulated depreciation) in the fiscal year. \$1,108,793 of the capital outlay is construction in progress as a result of the Ohio School Facilities Program.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2004, the District had \$5,015,877 in general obligation bonds and \$33,067 in capital leases outstanding. Of this total, \$238,764 is due within one year and \$4,810,180 is due in greater than one year. The following table summarizes the bonds and leases outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2004	2003
General obligation bonds	\$ 5,015,877	\$ 5,209,841
Capital leases	33,067	32,859
Energy conservation note	-	128,136
Total	\$ 5,048,944	\$ 5,370,836

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Current Financial Related Activities

The Crestview School District is in a solid financial position. The District had a carryover cash balance in the general fund of \$3.2 million as of June 30, 2004. The 5-year financial forecast shows a positive cash balance through fiscal year 2008.

The District, however, is seeing that in future years, revenues aren't keeping pace with expenditures. Eventually, the carry over balance of cash will be exhausted. This will become a serious issue as the District will need greater revenues in the future.

Since the District relies on the State for approximately 68% of the general operating revenues, one of the largest challenges facing the district is that of state funding. The State of Ohio was found by the Supreme Court in March 1997 to be operating an unconstitutional education funding system, one that was neither adequate nor equitable. Since State funding isn't sufficient to pay the entire cost of an adequate education, districts are forced to make up those funds with local revenues.

The District renewed a 10.3 mill operating levy in November 2003, which will continue to provide local funds for the next five years. Because the assessed property valuation in the District is low, obtaining adequate funding through local revenues is nearly impossible.

In conclusion, the Board of Education of the Crestview School District is committed to being financially responsible. The Board continues to set fiscal goals each year and implement cost-saving and cost-containing measures in an attempt to have a balanced budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Tina Bennett, Treasurer, Crestview Local School District, 1575 St. Rt. 96 East, Ashland, Ohio 44805.

**BASIC
FINANCIAL STATEMENTS**

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 8,626,797
Cash in segregated accounts	4,041
Investments	2,977,912
Receivables:	
Taxes	2,680,900
Accounts	83,263
Accrued interest	65,020
Due from other governments.	12,257,562
Prepayments	19,117
Materials and supplies inventory	5,931
Capital assets:	
Land	194,705
Construction in progress	1,108,793
Depreciable capital assets, net	8,694,101
Capital assets, net.	9,997,599
 Total assets.	 36,718,142
 Liabilities:	
Accounts payable.	9,161
Contracts payable.	108,091
Retainage payable	4,041
Accrued wages and benefits	782,752
Pension obligation payable.	196,073
Due to other governments	112,550
Deferred revenue	2,025,507
Accrued interest payable	19,791
Claims payable	184,793
Long-term liabilities:	
Due within one year.	251,395
Due within more than one year	5,157,041
Total liabilities	8,851,195
 Net Assets:	
Invested in capital assets, net of related debt.	5,004,914
Restricted for:	
Capital projects	7,255,883
Debt service.	762,089
BWC refunds	32,798
Other purposes	129,548
Unrestricted.	14,681,715
Total net assets	\$ 27,866,947

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 4,098,400	\$ 55,634	\$ 115,905	\$ 25,850	\$ (3,901,011)
Special	1,131,546	48,378	457,064	-	(626,104)
Vocational	202,638	-	-	-	(202,638)
Support services:					
Pupil.	349,137	173	23,593	-	(325,371)
Instructional staff	392,925	-	83,409	-	(309,516)
Board of education	66,314	-	2,400	-	(63,914)
Administration.	605,226	-	-	-	(605,226)
Fiscal.	191,707	-	-	-	(191,707)
Business.	1,036	327	-	-	(709)
Operations and maintenance	800,988	1,615	4,587	-	(794,786)
Pupil transportation.	805,016	-	-	-	(805,016)
Central	44,579	-	14,000	-	(30,579)
Operation of non-instructional services:					
Food service operations	434,480	278,220	121,977	-	(34,283)
Other non-instructional services	36,496	-	-	-	(36,496)
Extracurricular activities.	379,036	105,399	-	-	(273,637)
Interest and fiscal charges	255,544	-	-	-	(255,544)
Total governmental activities	<u>\$ 9,795,068</u>	<u>\$ 489,746</u>	<u>\$ 822,935</u>	<u>\$ 25,850</u>	<u>(8,456,537)</u>

General Revenues:

Property taxes levied for:

General purposes	1,940,778
Special revenue	38,279
Debt service.	469,725
Grants and entitlements not restricted to specific programs.	6,554,121
Grants restricted for Ohio Schools	
Facilities construction.	17,097,160
Investment earnings	142,233
Miscellaneous	8,283
Total general revenues.	<u>26,250,579</u>
Change in net assets	17,794,042
Net assets at beginning of year.	<u>10,072,905</u>
Net assets at end of year	<u>\$ 27,866,947</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 3,254,057	\$ 666,714	\$ 3,764,559	\$ 789,411	\$ 8,474,741
Cash in segregated accounts	-	-	4,041	-	4,041
Investments	-	-	2,574,867	403,045	2,977,912
Receivables:					
Taxes	2,151,699	485,093	-	44,108	2,680,900
Accounts	6,416	-	-	14,574	20,990
Accrued interest	61,247	-	3,262	511	65,020
Interfund receivable	2,100	-	-	-	2,100
Due from other governments	-	-	12,169,256	88,306	12,257,562
Prepayments	19,117	-	-	-	19,117
Materials and supplies inventory	5,319	-	-	612	5,931
Restricted assets:					
Equity in pooled cash and cash equivalents	75,183	-	-	-	75,183
Total assets	<u>\$ 5,575,138</u>	<u>\$ 1,151,807</u>	<u>\$ 18,515,985</u>	<u>\$ 1,340,567</u>	<u>\$ 26,583,497</u>
Liabilities:					
Accounts payable	\$ 2,640	\$ -	\$ -	\$ 2,521	\$ 5,161
Contracts payable	-	-	108,091	-	108,091
Retainage payable	-	-	4,041	-	4,041
Accrued wages and benefits	671,346	-	-	111,406	782,752
Compensated absences payable	2,117	-	-	843	2,960
Pension obligation payable	107,964	-	-	12,368	120,332
Due to other governments	54,178	-	51,829	6,543	112,550
Interfund payable	-	-	-	2,100	2,100
Deferred revenue	1,847,386	420,784	12,119,496	39,055	14,426,721
Total liabilities	<u>2,685,631</u>	<u>420,784</u>	<u>12,283,457</u>	<u>174,836</u>	<u>15,564,708</u>
Fund Balances:					
Reserved for encumbrances	100,775	-	737,171	6,159	844,105
Reserved for materials and supplies inventory	5,319	-	-	612	5,931
Reserved for prepayments	19,117	-	-	-	19,117
Reserved for property tax unavailable for appropriation	235,752	53,783	-	4,950	294,485
Reserved for debt service	-	677,240	-	-	677,240
Reserved for BWC refunds	32,798	-	-	-	32,798
Reserved for school bus purchase	42,385	-	-	-	42,385
Unreserved:					
Designated for budget stablization	121,033	-	-	-	121,033
Undesignated, reported in:					
General fund	2,332,328	-	-	-	2,332,328
Special revenue funds	-	-	-	132,724	132,724
Capital projects funds	-	-	5,495,357	1,021,286	6,516,643
Total fund balances	<u>2,889,507</u>	<u>731,023</u>	<u>6,232,528</u>	<u>1,165,731</u>	<u>11,018,789</u>
Total liabilities and fund balances	<u>\$ 5,575,138</u>	<u>\$ 1,151,807</u>	<u>\$ 18,515,985</u>	<u>\$ 1,340,567</u>	<u>\$ 26,583,497</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$	11,018,789
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			9,997,599
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	278,462	
Intergovernmental revenue		12,117,427	
Accrued interest		5,325	
Total			12,401,214
An internal service fund is used by management to charge the costs of medical and dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			(49,647)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		356,532	
Pension obligation payable		75,741	
Capital lease		33,067	
General obligation bonds payable		5,015,877	
Accrued interest payable		19,791	
Total			(5,501,008)
Net assets of governmental activities		\$	27,866,947

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes	\$ 2,112,460	\$ 526,449	\$ -	\$ 40,798	\$ 2,679,707
Tuition.	24,726	-	-	-	24,726
Charges for services.	-	-	-	278,220	278,220
Earnings on investments.	98,176	-	34,383	21,202	153,761
Extracurricular.	518	-	-	102,411	102,929
Classroom materials and fees	48,378	-	-	-	48,378
Other local revenues.	9,898	-	-	33,878	43,776
Intergovernmental - state	6,128,621	171,500	4,979,733	92,409	11,372,263
Intergovernmental - federal	-	-	-	774,281	774,281
Total revenues.	<u>8,422,777</u>	<u>697,949</u>	<u>5,014,116</u>	<u>1,343,199</u>	<u>15,478,041</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,694,255	-	-	166,288	3,860,543
Special.	617,490	-	-	473,414	1,090,904
Vocational.	195,132	-	-	94	195,226
Support services:					
Pupil.	320,919	-	-	24,171	345,090
Instructional staff	279,781	-	-	86,824	366,605
Board of education	62,218	-	-	2,640	64,858
Administration.	597,873	-	-	-	597,873
Fiscal	180,350	10,079	-	-	190,429
Business	-	-	-	470	470
Operations and maintenance.	747,491	-	-	11,564	759,055
Pupil transportation	657,003	-	-	-	657,003
Central.	18,579	-	-	26,000	44,579
Operation of non-instructional services:					
Food service operations	-	-	-	411,337	411,337
Other non-instructional services.	34,696	-	-	-	34,696
Extracurricular activities.	261,719	-	-	113,640	375,359
Facilities acquisition and construction	27,054	-	1,100,307	-	1,127,361
Capital outlay	7,771	-	-	-	7,771
Debt service:					
Principal retirement	135,699	220,000	-	-	355,699
Interest and fiscal charges	7,072	225,305	-	-	232,377
Total expenditures	<u>7,845,102</u>	<u>455,384</u>	<u>1,100,307</u>	<u>1,316,442</u>	<u>10,717,235</u>
Excess of revenues over expenditures	<u>577,675</u>	<u>242,565</u>	<u>3,913,809</u>	<u>26,757</u>	<u>4,760,806</u>
Other financing sources (uses):					
Proceeds from capital lease	7,771	-	-	-	7,771
Transfers in	-	-	-	8,700	8,700
Transfers (out).	(6,700)	-	-	(2,000)	(8,700)
Proceeds from sale of capital assets.	98	-	-	-	98
Total other financing sources (uses)	<u>1,169</u>	<u>-</u>	<u>-</u>	<u>6,700</u>	<u>7,869</u>
Net change in fund balances	578,844	242,565	3,913,809	33,457	4,768,675
Fund balances at beginning of year (restated)					
	2,310,663	488,458	2,318,719	1,132,274	6,250,114
Fund balances at end of year.	<u>\$ 2,889,507</u>	<u>\$ 731,023</u>	<u>\$ 6,232,528</u>	<u>\$ 1,165,731</u>	<u>\$ 11,018,789</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	4,768,675
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$1,171,394) exceeds depreciation expense (\$425,889) in the current period.		745,505
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(1,575)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		12,109,424
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		355,699
Proceeds of capital lease transactions are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(7,771)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		(23,167)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(4,888)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(147,860)
Change in net assets of governmental activities	\$	17,794,042

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 1,954,018	\$ 2,048,000	\$ 2,019,725	\$ (28,275)
Tuition.	7,251	7,600	29,861	22,261
Earnings on investments.	26,429	27,700	39,861	12,161
Extracurricular.	572	600	518	(82)
Classroom materials and fees	39,779	41,692	48,378	6,686
Other local revenues	26,811	28,100	21,612	(6,488)
Intergovernmental - state	5,604,740	5,874,308	6,122,275	247,967
Total revenues.	<u>7,659,600</u>	<u>8,028,000</u>	<u>8,282,230</u>	<u>254,230</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,700,694	3,766,525	3,724,754	41,771
Special.	640,673	652,115	649,139	2,976
Vocational.	191,757	195,182	194,924	258
Support services:				
Pupil.	339,829	345,898	342,641	3,257
Instructional staff	276,649	281,590	277,385	4,205
Board of education	75,221	76,564	69,518	7,046
Administration.	598,539	609,229	593,382	15,847
Fiscal	176,837	179,995	177,683	2,312
Operations and maintenance.	761,107	774,700	764,149	10,551
Pupil transportation	699,135	711,621	709,880	1,741
Central.	39,568	40,275	18,579	21,696
Operation of non-instructional services	36,820	37,478	33,495	3,983
Extracurricular activities.	258,593	263,211	261,468	1,743
Facilities acquisition and construction.	36,485	37,137	36,418	719
Debt service:				
Principal retirement	124,283	128,136	128,136	-
Interest and fiscal charges	5,817	4,288	4,288	-
Total expenditures	<u>7,962,007</u>	<u>8,103,944</u>	<u>7,985,839</u>	<u>118,105</u>
Excess of revenues over (under) expenditures.	<u>(302,407)</u>	<u>(75,944)</u>	<u>296,391</u>	<u>372,335</u>
Other financing sources (uses):				
Refund of prior year expenditure.	7,900	7,900	29,035	21,135
Refund of prior year receipts	(11,420)	(11,420)	(11,420)	-
Transfers (out)	(251,176)	(251,176)	(6,700)	244,476
Advances in.	43,000	43,000	43,000	-
Advances (out)	(2,100)	(2,100)	(2,100)	-
Total other financing sources (uses)	<u>(213,796)</u>	<u>(213,796)</u>	<u>51,815</u>	<u>265,611</u>
Net change in fund balance	(516,203)	(289,740)	348,206	637,946
Fund balance at beginning of year.	2,777,329	2,777,329	2,777,329	-
Prior year encumbrances appropriated	95,264	95,264	95,264	-
Fund balance at end of year	<u>\$ 2,356,390</u>	<u>\$ 2,582,853</u>	<u>\$ 3,220,799</u>	<u>\$ 637,946</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 76,873
Receivables:	
Accounts	<u>62,273</u>
Total assets	<u>139,146</u>
Liabilities:	
Accounts payable.	4,000
Claims payable	<u>184,793</u>
Total liabilities	<u>188,793</u>
Net assets:	
Unrestricted.	<u>(49,647)</u>
Total net assets	<u><u>\$ (49,647)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services.	\$ 1,083,242
Other	62,273
Total operating revenues	<u>1,145,515</u>
Operating expenses:	
Claims expense.	1,287,020
Purchased services.	8,000
Total operating expenses	<u>1,295,020</u>
Operating (loss).	<u>(149,505)</u>
Nonoperating revenues:	
Interest revenue	<u>1,645</u>
Total nonoperating revenues.	<u>1,645</u>
Change in net assets.	(147,860)
Net assets at beginning of year	<u>98,213</u>
Net assets at end of year.	<u><u>\$ (49,647)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 1,083,242
Cash payments for claims expense	(1,215,767)
Cash payments for purchased services	<u>(4,000)</u>
Net cash used in operating activities	<u>(136,525)</u>
Cash flows from investing activities:	
Interest received	<u>1,645</u>
Net cash provided by investing activities	<u>1,645</u>
Net decrease in cash and cash equivalents	<u>(134,880)</u>
Cash and cash equivalents at beginning of year	<u>211,753</u>
Cash and cash equivalents at end of year	<u><u>\$ 76,873</u></u>
Operating loss	\$ (149,505)
Changes in assets and liabilities:	
Increase in accounts receivable	(62,273)
Increase in accounts payable	4,000
Increase in claims payable	<u>71,253</u>
Net cash used in operating activities	<u><u>\$ (136,525)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 31,602
Total assets.	\$ 31,602
Liabilities:	
Accounts payable.	\$ 34
Due to students	31,568
Total liabilities	\$ 31,602

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private - Purpose Trust
	Scholarship
Deductions:	
Scholarships awarded	\$ 5,000
Change in net assets	(5,000)
Net assets at beginning of year	5,000
Net assets at end of year	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The 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. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to residents of the District.

The District ranks as the 421st largest by total enrollment among the 613 public school districts in the state. Average daily membership as of June 30, 2004 was 1,279. The District employed 91 certified employees and 60 non-certified employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic 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. For the District, this includes general operations, foods service, preschool 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 organizations' government 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 organizations; resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the 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. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments (the "COG")

The COG is a jointly governed organization among 15 school districts and 1 county educational service center. The COG was formed for the purpose of applying modern technology with computers and other electronic technology to aid administrative and instructional functions. Each member district supports the COG based on a per pupil charge, dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in the COG. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Pioneer Career and Technology Center (PCTC)

The PCTC is a district political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Treasurer of the Pioneer Career and Technology Center at 27 Ryan Road, Shelby, OH 44875-0309.

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the 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 balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and loans payable.

Classroom Facilities - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical and dental benefits to employees.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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.

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and 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.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from 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.

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

Deferred 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 operation, 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 also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflects the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2004.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received other than in segregated accounts by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" and "Investments" on the basic financial statements.

During fiscal year 2004, investments were limited to federal agency securities, certificates of deposit, investments in the State Treasury Asset Reserve (STAR Ohio), and a U.S. Government money market mutual fund. Investments are reported at fair value, which is based on quoted market prices, with the following exception: nonparticipating investment contracts such as certificates of deposit are reported at cost.

The District has invested funds in 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment earnings are credited to funds based on Board Policy and State Statute. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$98,176, which includes \$20,027 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold from \$500 to \$5,000. 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. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age, were expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

L. 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, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, debt service, BWC refunds, and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

Designated fund balance represents planned actions for monies set-aside by the District for budget stabilization.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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.

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Estimates

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

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. Restricted assets also include monies received from the state that are restricted for school bus purchases and BWC refunds. Fund balances reserves have also been established (See Note 17).

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. Interfund Activity

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 and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basis financial statements.

S. 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 Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", 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 Nos. 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds.

GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

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.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

In addition to implementing GASB Statement No. 34, the District switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at June 30, 2003.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 2,302,232	\$ 488,458	\$ 2,318,719	\$ 1,126,631	\$ 6,236,040
Fund reclassifications	-	-	-	5,643	5,643
Implementation of GASB Interpretation No. 6	<u>8,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,431</u>
Restated fund balance, June 30, 2003	<u>\$ 2,310,663</u>	<u>\$ 488,458</u>	<u>\$ 2,318,719</u>	<u>\$ 1,132,274</u>	<u>\$ 6,250,114</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 6,250,114
GASB 34 adjustments:	
Long-term (deferred) assets	291,790
Capital assets	9,253,669
Accrued interest payable	(22,660)
Pension obligation	(79,005)
Long-term liabilities	(5,719,216)
Internal service fund	<u>98,213</u>
Governmental activities net assets, June 30, 2003	<u>\$ 10,072,905</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 456
Summer Intervention	94
IDEA Part B	9,988
Self Insurance Fund	49,647

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

Statutes require the classification of 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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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 or interest by the United States;

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS - (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 the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 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 qualified trustee 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 \$250 in undeposited cash on hand, which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

Cash in Segregated Accounts: At fiscal year-end, \$4,041 was on deposit in segregated accounts for retainage relating to construction contracts and is 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 No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$3,212,720 and the bank balance was \$3,235,806. Of the bank balance:

1. \$300,000 was covered by federal deposit insurance deposited with the District; and

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)

2. \$2,935,806 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 for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit 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: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal 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 counterparty'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 counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Federal agency securities	<u>\$ 2,977,912</u>	\$ 2,977,912	\$ 2,977,912
Total	<u>\$ 2,977,912</u>		
Investment in STAR Ohio		<u>5,449,470</u>	<u>5,449,470</u>
Total investments		<u>\$ 8,427,382</u>	<u>\$ 8,427,382</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 8,662,440	\$ 2,977,912
Investments of the cash management pool:		
Investment in STAR Ohio	(5,449,470)	5,449,470
Cash on hand	<u>(250)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 3,212,720</u>	<u>\$ 8,427,382</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 2,100

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:		
General Fund		\$ 6,700
Nonmajor Governmental Funds		2,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 200 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Richland and Ashland Counties. The County Auditors periodically advance to the District the 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 tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are 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, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$235,752 in the general fund, \$53,783 in the debt service fund, and \$4,950 in the Classroom Facilities Maintenance fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2003 was \$191,614 in the general fund, \$49,516 in the debt service fund, and \$4,032 in the Classroom Facilities Maintenance fund.

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and ther real estate	\$ 79,906,230	86.85	\$ 81,980,260	87.44
Public utility personal	9,270,730	10.08	9,287,130	9.90
Tangible personal property	<u>2,822,365</u>	<u>3.07</u>	<u>2,496,738</u>	<u>2.66</u>
Total	<u>\$ 91,999,325</u>	<u>100.00</u>	<u>\$ 93,764,128</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$47.10		\$47.10	
Debt Service	6.50		6.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements 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 receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Property taxes	\$ 2,680,900
Accounts	83,263
Intergovernmental	12,257,562
Accrued interest	<u>65,020</u>
Total	<u>\$15,086,745</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy (See Note 2.H. for details), asset category reclassifications, and the depreciation of capital assets in accordance with GASB Statement No. 34.

	<u>Balance</u> <u>6/30/03</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/03</u>
Governmental Activities:			
Capital assets, not being depreciated:			
Land	\$ -	\$ 194,705	\$ 194,705
Total capital assets, not being depreciated	<u>-</u>	<u>194,705</u>	<u>194,705</u>
Capital assets, being depreciated:			
Land improvements	387,618	(207,412)	180,206
Buildings and improvements	12,291,669	(23,964)	12,267,705
Furniture and equipment	1,585,694	(1,182,931)	402,763
Vehicles	1,397,902	(23,424)	1,374,478
Total capital assets, being depreciated	<u>15,662,883</u>	<u>(1,437,731)</u>	<u>14,225,152</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(5,166,188)</u>	<u>(5,166,188)</u>
Governmental activities capital assets, net	<u>\$ 15,662,883</u>	<u>\$ (6,409,214)</u>	<u>\$ 9,253,669</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 8 - CAPITAL ASSETS - (Continued)

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

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/04</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 194,705	\$ -	\$ -	\$ 194,705
Construction-in-progress	<u>-</u>	<u>1,108,793</u>	<u>-</u>	<u>1,108,793</u>
Total capital assets, not being depreciated	<u>194,705</u>	<u>1,108,793</u>	<u>-</u>	<u>1,303,498</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	180,206	22,370	-	202,576
Buildings and improvements	12,267,705	-	-	12,267,705
Furniture and equipment	402,763	17,736	(7,000)	413,499
Vehicles	<u>1,374,478</u>	<u>22,495</u>	<u>-</u>	<u>1,396,973</u>
Total capital assets, being depreciated	<u>14,225,152</u>	<u>62,601</u>	<u>(7,000)</u>	<u>14,280,753</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(17,008)	(14,046)	-	(31,054)
Buildings and improvements	(4,047,406)	(239,026)	-	(4,286,432)
Furniture and equipment	(199,369)	(44,051)	5,425	(237,995)
Vehicles	<u>(902,405)</u>	<u>(128,766)</u>	<u>-</u>	<u>(1,031,171)</u>
Total accumulated depreciation	<u>(5,166,188)</u>	<u>(425,889)</u>	<u>5,425</u>	<u>(5,586,652)</u>
Governmental activities capital assets, net	<u>\$ 9,253,669</u>	<u>\$ 745,505</u>	<u>\$ (1,575)</u>	<u>\$ 9,997,599</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 179,286
Special	8,673
Vocational	4,542
 <u>Support Services:</u>	
Pupil	942
Instructional staff	18,456
Board of education	1,456
Administration	8,274
Fiscal	566
Operations and maintenance	22,990
Pupil transportation	128,294
Extracurricular activities	27,042
Food service operations	<u>25,368</u>
 Total depreciation expense	 <u>\$ 425,889</u>

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2004 and in previous years, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$44,168. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$7,563 paid by the general fund.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

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

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2005	\$ 11,093
2006	11,093
2007	11,093
2008	<u>4,621</u>
Total minimum lease payments	37,900
Less amount representing interest	<u>(4,833)</u>
Total	<u>\$ 33,067</u>

NOTE 10 - LONG-TERM OBLIGATIONS

- A. On December 15, 2001 the District issued general obligation bonds to provide funds for the construction and improvements to the elementary and high school and for the advance refunding of the 1992 general obligation bonds. A portion of the proceeds of the bonds were used to advance refund the 1992 general obligation bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. The principal balance of the general obligation various purpose refunded bonds at June 30, 2004 was \$2,289,733.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest bonds, par value \$5,195,000, and capital appreciation bonds, par value \$685,000. The interest rates on the current interest bonds range from 4.011% to 5.20%. The capital appreciation bonds mature on December 1, 2011 (effective interest 19.091%) and December 1, 2012 (effective interest 19.094%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2004 was \$94,618. A total of \$56,259 in accreted interest on the capital appreciation bonds has been included in the long term liabilities within the statement of net assets at June 30, 2004.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2004 on the 1992 and 2001 series general obligation bonds:

	Balance Outstanding <u>06/30/03</u>	Additions	Reductions	Balance Outstanding 06/30/04	Amounts Due in <u>One Year</u>
Current interest bonds - 2001	\$ 5,085,000	\$ -	\$ (220,000)	\$ 4,865,000	\$ 230,000
Capital appreciation bonds - 2001	<u>124,841</u>	<u>26,036</u>	<u>-</u>	<u>150,877</u>	<u>-</u>
Total G.O. bonds	<u>\$ 5,209,841</u>	<u>\$ 26,036</u>	<u>\$ (220,000)</u>	<u>\$ 5,015,877</u>	<u>\$ 230,000</u>

The following is a summary of the future annual requirements to maturity for general obligation bonds:

Fiscal <u>Year Ending</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 230,000	\$ 219,103	\$ 449,103	\$ -	\$ -	\$ -
2006	240,000	211,456	451,456	-	-	-
2007	255,000	202,598	457,598	-	-	-
2008	270,000	192,480	462,480	-	-	-
2009	285,000	181,095	466,095	-	-	-
2010 - 2014	980,000	757,141	1,737,141	685,000	-	685,000
2015 - 2019	810,000	535,720	1,345,720	-	-	-
2020 - 2024	700,000	376,532	1,076,532	-	-	-
2025 - 2029	900,000	172,900	1,072,900	-	-	-
2030	<u>195,000</u>	<u>5,070</u>	<u>200,070</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,865,000</u>	<u>\$ 2,854,095</u>	<u>\$ 7,719,095</u>	<u>\$ 685,000</u>	<u>\$ -</u>	<u>\$ 685,000</u>

- B.** On August 26, 1997 the District issued an energy conservation loan in accordance with Section 3313.372, Ohio Revised Code, and House Bill 264. This loan bears an interest rate of 4.60% and matures on August 25, 2007. The primary source of repayment of this loan is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the General fund. The unmatured obligation at year-end was accounted for in long term liabilities within the statement of net assets. The following is a description of the District's long-term energy conservation loan outstanding as of June 30, 2004:

	Interest <u>Rate</u>	Outstanding <u>06/30/03</u>	Retired <u>in 2004</u>	Outstanding <u>06/30/04</u>	Due in <u>One Year</u>
Energy conservation loan	4.50%	<u>\$ 128,136</u>	<u>\$ (128,136)</u>	<u>\$ -</u>	<u>\$ -</u>

The District paid the remaining principal of the energy conservation loan in 2004, therefore there is no amortization remaining on the loan.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased \$28,512 from \$330,410 to \$358,922 due to the implementation of GASB Interpretation No. 6 and due to fund reclassifications described in Note 3.A. In addition, pension obligations of \$65,781 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$37,269 from \$5,767,027 to \$5,729,758. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/04</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Compensated absences	\$ 358,922	\$ 11,875	\$ (11,305)	\$ 359,492	\$ 12,631
General obligation bonds payable	5,209,841	26,036	(220,000)	5,015,877	230,000
Energy conservation loan	128,136	-	(128,136)	-	-
Capital lease obligation payable	<u>32,859</u>	<u>7,771</u>	<u>(7,563)</u>	<u>33,067</u>	<u>8,764</u>
Total long-term obligations, governmental activities	<u>\$ 5,729,758</u>	<u>\$ 45,682</u>	<u>\$ (367,004)</u>	<u>\$ 5,408,436</u>	<u>\$ 251,395</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$4,153,918 (including available funds of \$731,023) and an unvoted debt margin of \$93,764.

NOTE 11 - STATE BUILDING LOAN

During fiscal year 1990, the District received a state building grant/loan to provide for the construction of classroom facilities. The District passed a half mill property tax levy with the proceeds of the levy going to repay its portion of the state loan. The unpaid balance on the state building loan is \$4,193,120 at June 30, 2004. The District and the state has determined that it is not probable that the State Facilities Loan will be repaid due to the new legislation, and as such, no outstanding liability is recorded in the financial statements.

New legislation now allows the District to use the proceeds of the levy for maintenance of the new facilities. The District may use the proceeds of the levy for maintenance of the new facilities provided the District's adjusted valuation per pupil is less than the state-wide median adjusted valuation per pupil. In any year in which the District's per pupil valuation exceeds the state-wide valuation median, half of the proceeds of the levy must be used to repay the loan. During fiscal year 2004, the District was not required to make any principal payments on the loan.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 12 - 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 fiscal year 2004, the District contracted with Marsh USA for property insurance, fleet insurance and inland marine coverage. Coverages provided by Marsh USA are as follows:

Property Insurance - replacement cost (\$5,000 deductible)	\$ 27,122,576
Boiler & Machinery - repair and replacement (\$5,000 deductible)	27,122,576
Glass Insurance - repair and replacement (\$250 deductible)	unlimited
Employee Dishonesty Blanket	100,000
Fleet Insurance:	
Bodily injury & property damage	1,000,000
Medical payments	5,000
Uninsured motorists	1,000,000
Comprehensive (\$1,000 deductible)	actual value
Collision (\$1,000 deductible)	actual value

General liability is protected by the Selective Insurance Company, with a \$4,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible. The bus fleet is also covered by \$2,000,000 umbrella through Selective Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). 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 school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement 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.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Employee Group Health, Dental, Vision and Life Insurance

The District has elected to provide employee medical/surgical benefits through a self insurance program. The District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical/surgical plan with a \$200 family and \$100 single deductible. A third party administrator, Anthem Benefit Administrators, Incorporated, located in Columbus, Ohio, reviews all claims, which are then paid by the District. The District purchases stop-loss coverage of \$40,000 per employee and \$1,278,356 in the aggregate. The District pays into the self-insurance internal service fund \$810 family coverage or \$342 individual coverage per month for full-time employees and \$720 family coverage or \$304 individual coverage per month for part-time employees, which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Dental coverage is also provided on a self-insured basis through Anthem Benefit Administrators. Premiums for this coverage are \$28 monthly for family and single coverage for certified employees. Premiums for non-certified and part-time employees are \$49 monthly for family coverage and \$18.90 monthly for single coverage. The District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

The District also provides prescription drug insurance to its employees through a self-insured program. The plan pays 80% of the cost of prescriptions with the employee paying 20%. This plan utilizes a per prescription deductible of \$20 for generic and \$40 for brand names for long-term prescriptions. The third party administrator, Anthem Benefit Administrators of Columbus, Ohio, reviews the claims, which are then paid by the District. The premium for this coverage currently is included with medical monthly on a composite basis.

The claims liability of \$184,793 reported in the fund at June 30, 2004, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2004	\$ 113,540	\$ 1,287,020	\$ (1,215,767)	\$ 184,793
2003	132,671	1,183,156	(1,202,287)	113,540

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (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 Chapter 3309 of the Ohio Revised Code. SERS 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 School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2004, 9.09% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$154,606, \$177,859, and \$179,812, respectively; 48.04% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$80,340, represents the unpaid contribution for fiscal year 2004.

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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS 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 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
RICHLAND COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT PENSION 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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$546,395, \$563,610, and \$536,138, respectively; 82.88% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$93,552, represents the unpaid contribution for fiscal year 2004.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

NOTE 14 - 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 partial reimbursement of monthly Medicare Part B 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 this fiscal year, 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 \$39,028 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352,301 million and STRS had 108,294 eligible benefit recipients.

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.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. 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 \$14,500. 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, 2003 (the latest information available) were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, (the latest information available) SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$76,403 during the 2004 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) 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 the GAAP basis are that:

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 348,206
Net adjustment for revenue accruals	140,547
Net adjustment for expenditure accruals	32,296
Net adjustment for other sources/uses	(50,646)
Adjustment for encumbrances	<u>108,441</u>
GAAP basis	<u>\$ 578,844</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State 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.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2003	\$ (246,310)	\$ -	\$ 32,798
Current year set-aside requirement	167,088	167,088	-
Current year offsets	-	(42,678)	-
Qualifying disbursements	<u>(193,887)</u>	<u>(133,281)</u>	<u>-</u>
 Total	 <u>\$ (273,109)</u>	 <u>\$ (8,871)</u>	 <u>\$ 32,798</u>
 Cash balance carried forward to FY 2005	 <u>\$ (273,109)</u>	 <u>\$ -</u>	 <u>\$ 32,798</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2004, was \$121,033.

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

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2004 follows:

Amounts restricted for BWC refunds	\$ 32,798
Amounts restricted for school bus purchase	<u>42,385</u>
 Total restricted assets	 <u>\$ 75,183</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 18 - CONTRACTUAL COMMITMENTS

The District is currently involved in a building project which resulted in contractual commitments remaining at fiscal year-end. The District had the following contractual commitments outstanding as of June 30, 2004:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Balance Remaining</u>
Campbell Construction	\$ 4,254,635	\$ 127,639	\$ 4,126,996
Metzger Gleisinger	817,547	-	817,547
Dalmation Fire	101,500	-	101,500
AC Split Bolt	857,767	-	857,767
The Hattenbach Co.	164,000	-	164,000
North American Environmental Services	28,943	8,683	20,260
Total Environment	64,264	19,279	44,985
Ludwig-Zahn	110,000	-	110,000
Ludwig Zahn Construction	1,429,732	42,892	1,386,840
Metzger Gleisinger	555,006	-	555,006
Vulcan Enterprises	177,218	17,722	159,496
Spring Electric	736,565	-	736,565
Breckenridge Kitchen Equipment	60,648	-	60,648
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 9,357,825</u>	<u>\$ 216,215</u>	<u>\$ 9,141,610</u>

SUPPLEMENTAL DATA

**CRESTVIEW LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A),(C) Food Distribution	10.550	N/A	\$ -	\$ 29,241	\$ -	\$ 29,241
(A),(D) National School Lunch	10.555	049429-LLP4-2001	-	-	-	-
(A),(D) National School Lunch	10.555	049429-LLP4-2003	14,097	-	14,097	-
(A),(D) National School Lunch	10.555	049429-LLP4-2004	82,325	-	82,325	-
Total U.S. Department of Agriculture and Nutrition Cluster			<u>96,422</u>	<u>29,241</u>	<u>96,422</u>	<u>29,241</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	049429-C1S1-2003	59,494		47,731	
Title I - Grants to Local Educational Agencies	84.010	049429-C1S1-2004	316,851		315,218	
Total Title I			<u>376,345</u>		<u>362,949</u>	
IDEA - Part B - Education of the Handicapped Act	84.027	049429-6BSF-2003-P	15,401		8,822	
IDEA - Part B - Education of the Handicapped Act	84.027	049429-6BSF-2004-P	147,039		137,721	
Total IDEA - Part B			<u>162,440</u>		<u>146,543</u>	
(E) Safe and Drug-Free Schools	84.186	049429-DRS1-2003	(185)		851	
Safe and Drug-Free Schools	84.186	049429-DRS1-2004	9,213		8,468	
Total Safe and Drug-Free Schools			<u>9,028</u>		<u>9,319</u>	
(F) Goals 2000	84.276	049429-G2S9-2001	(1,742)		-	
State Grants for Innovative Programs	84.298	049429-C2S1-2003	-		1,294	
State Grants for Innovative Programs	84.298	049429-C2S1-2004	6,643		6,643	
Total State Grants for Innovative Programs			<u>6,643</u>		<u>7,937</u>	
(E) Education Technology	84.318	049429-TJS1-2003	(2,222)		747	
Education Technology	84.318	049429-TJS1-2004	12,119		12,119	
Total Education Technology			<u>9,897</u>		<u>12,866</u>	
School Renovation, IDEA and Technology	84.352A	049429-ATS1-2002	3,654		2,654	
Improving Teacher Quality	84.367	049429-TRS1-2003	14,937		7,937	
Improving Teacher Quality	84.367	049429-TRS1-2004	96,063		83,567	
Total Improving Teacher Quality			<u>111,000</u>		<u>91,504</u>	
Total U.S. Department of Education			<u>677,265</u>		<u>633,772</u>	
Total Federal Financial Assistance			<u>\$ 773,687</u>	<u>\$ 29,241</u>	<u>\$ 730,194</u>	<u>\$ 29,241</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (E) This amount was carried over to FY 2004.
- (F) Transferred to Title I in FY 2004.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Education
Crestview Local School District
1575 St. Rt. 96
Ashland, Ohio 44805

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestview Local School District as of and for the fiscal year ended June 30, 2004, and have issued our report thereon dated November 21, 2004. During the fiscal year ended June 30, 2004, the Crestview Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, the Crestview Local School District had a change in accounting principle for its threshold for capital assets as described in Note 2.H. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crestview Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Crestview Local School District in a separate letter dated November 21, 2004.

Board of Education
Crestview Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crestview Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board and management of the Crestview Local School District, 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 cursive script that reads "Trimble, Julian & Grube, Inc.".

Trimble, Julian & Grube, Inc.
November 21, 2004

TRIMBLE, JULIAN & GRUBE, INC.

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Report On Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*

Board of Education
Crestview Local School District
1575 St. Rt. 96
Ashland, Ohio 44805

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 its major federal program for the fiscal year ended June 30, 2004, wherein we noted the Crestview Local School District implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the fiscal year ended June 30, 2004. In addition, the District had a change in accounting principle for its threshold for capital assets as described in Note 2.H. Crestview Local School District's major federal program is 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 its major federal program is the responsibility of Crestview Local School District's management. Our responsibility is to express an opinion on Crestview Local School District's compliance based on our audit.

Board of Education
Crestview Local School District

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, *Audit 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Crestview Local School 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 Crestview Local School District's compliance with those requirements.

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

Internal Control Over Compliance

The management of Crestview Local School 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 Crestview Local School 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 reportable 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 caused by error or fraud 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 management, the Board of Education of Crestview Local School District, 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 cursive script that reads "Trimble, Julian & Grube, Inc.".

Trimble, Julian & Grube, Inc.
November 21, 2004

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Title I, CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2005**