



**Auditor of State
Betty Montgomery**

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Crestview Local School District
Columbiana County
44100 Crestview Road, Suite A
Columbiana, Ohio 44408-9606

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestview Local School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crestview Local School District, Columbiana County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, thereof in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

Betty Montgomery
Auditor of State

August 15, 2006

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005
Unaudited**

The discussion and analysis of the Crestview Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

In total, net assets decreased \$146,704.

General revenues accounted for \$8,144,854, or 80 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$1,982,102 or 20 percent of total revenues of \$10,126,956.

The District's major funds included the General Fund, the Bond Retirement Debt Service Fund and the Permanent Improvement Capital Projects Fund. The General Fund had \$8,313,094 in revenues and \$8,308,863 in expenditures. The General Fund's balance increased \$4,231 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$319,489 in revenues and \$334,358 in expenditures. The Bond Retirement Debt Service Fund's balance decreased \$14,869 from the prior fiscal year. The Permanent Improvement Capital Projects Fund had \$188,486 in revenues and \$205,625 in expenditures. The Permanent Improvement Capital Projects Fund's balance decreased \$17,139 from the prior fiscal year.

The revenue generated from the Bond Retirement Debt Service Fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

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

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

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

For the District, the General Fund is by far the most significant fund. The General Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvement Capital Projects Fund are the three major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to fiscal year 2004.

**Table 1
Net Assets
Governmental Activities**

	2005	2004
<u>Assets:</u>		
Current and Other Assets	\$4,261,599	\$4,240,857
Capital Assets, Net	14,030,483	14,523,110
Total Assets	<u>18,292,082</u>	<u>18,763,967</u>
<u>Liabilities:</u>		
Current and Other Liabilities	3,303,475	3,272,251
Long-Term Liabilities	3,574,174	3,930,579
Total Liabilities	<u>6,877,649</u>	<u>7,202,830</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	10,993,430	11,127,776
Restricted	737,373	757,421
Unrestricted	(316,370)	(324,060)
Total	<u>\$11,414,433</u>	<u>\$11,561,137</u>

The decrease in net assets was insignificant.

Table 2 reflects the changes in net assets for fiscal year 2005 compared to fiscal year 2004.

**Table 2
Change in Net Assets
Governmental Activities**

	2005	2004
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$1,170,291	\$936,940
Operating Grants, Contributions and Interest	811,811	563,391
Capital Grants and Contributions		26,950
Total Program Revenues	<u>1,982,102</u>	<u>1,527,281</u>
General Revenues:		
Property Taxes	2,315,338	2,063,743
Income Taxes	919,831	820,447
Grants and Entitlements	4,845,265	4,899,566
Investment Earnings	30,612	27,843
Gifts and Donations	20,459	30,213
Miscellaneous	13,349	35,438
General Obligation Bonds Issued		5,763
Proceeds from the Sale of Notes		849,203
Total General Revenues	<u>8,144,854</u>	<u>8,732,216</u>
Total Revenues	<u>10,126,956</u>	<u>10,259,497</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

<u>Expenses:</u>		
Instruction	5,634,858	5,779,759
Support Services:		
Pupils	575,120	544,368
Instructional Staff	533,266	422,124
Board of Education	19,172	22,881
Administration	794,002	811,772
Fiscal	250,701	243,845
Business	345	7,358
Operation and Maintenance of Plant	1,048,492	994,307
Pupil Transportation	542,567	513,633
Central	25,760	21,773
Non-Instructional	443,513	431,004
Extracurricular Activities	315,456	190,166
Capital Outlay	890	14,079
Interest and Fiscal Charges	89,518	225,338
Total Expenses	<u>10,273,660</u>	<u>10,222,407</u>
Increase/(decrease) in Net Assets	<u>(\$146,704)</u>	<u>\$37,090</u>

The increase in revenues was attributed to increases in property taxes and income tax revenue.

Governmental Activities

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

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
Instruction	\$5,634,858	\$4,286,826	\$5,779,759	\$4,602,061
Support Services:				
Pupils	575,120	492,686	544,368	540,568
Instructional Staff	533,266	533,266	422,124	416,083
Board of Education	19,172	19,172	22,881	22,881
Administration	794,002	786,987	811,772	811,772
Fiscal	250,701	250,701	243,845	243,845
Business	345	345	7,358	7,358
Operation and Maintenance of Plant	1,048,492	1,048,492	994,307	994,307
Pupil Transportation	542,567	542,567	513,633	513,633
Central	25,760	25,760	21,773	21,773
Non-Instructional	443,513	19,330	431,004	197,296
Extracurricular Activities	315,456	195,018	190,166	84,132
Capital Outlay	890	890	14,079	14,079
Interest and Fiscal Charges	89,518	89,518	225,338	225,338
Total Expenses	<u>\$10,273,660</u>	<u>\$8,291,558</u>	<u>\$10,222,407</u>	<u>\$8,695,126</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 76 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 81 percent. The remaining 19 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvement Capital Projects Fund. Total governmental funds had revenues of \$10,081,417 and expenditures of \$10,101,534. The net negative change of \$20,117 in fund balance for the year indicates that the District had some difficulty in meeting current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$8,240,001 while actual expenditures were \$8,231,217. The \$8,784 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the District had \$14,030,483 invested in capital assets (net of accumulated depreciation) for governmental activities.

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

Debt

As of June 30, 2005, the District had \$2,230,000 in school facilities improvement general obligation bonds for building improvements. The new bonds were issued for a twelve-year period, with final maturity on December 1, 2015. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2005, the District's overall legal debt margin was \$6,164,081, with an un-voted debt margin of \$93,456.

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

Current Issues

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

The District is holding its own in the state of a declining economy and uncertainty in State funding. As the preceding information shows, the District relies heavily upon property taxes, school district income tax, the state foundation program and grants and entitlements. The District has been working to prevent operating fund deficits by implementing budget cuts. The District has negotiated new health insurance plans with all employees in an attempt to control increasing health insurance costs. The District has also decided to not replace staff as current staff retires when feasible

The District is also experiencing a loss of state foundation revenues due to the increase of local assessed valuation. For fiscal year 2002, the District's state share percentage was 68.93, for fiscal year 2005 the state share percentage dropped to 63.11, a decrease of 5.82 percent. This decrease along with the uncertainty of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation and the reduction of personal property business inventory are all challenges for the District to manage in the future.

The District is also currently experiencing a declining enrollment. In order to offset the decrease, the District adopted an Open Enrollment Policy effective with the 2003 fiscal year. Currently for the 2004-2005 school year, the District has a net open enrollment population of approximately 71 students. This is an increase of approximately 44 students from the 2004-2005 school year.

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

Contacting the District's Financial Management

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Net Assets
June 30, 2005**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	689,841
Cash and Cash Equivalents with Fiscal Agents		605,512
Investments		212,205
Materials and Supplies Inventory		25,361
Accrued Interest Receivable		2,647
Accounts Receivable		8,658
Prepaid Items		34,064
Taxes Receivable		2,264,526
Income Taxes Receivable		418,785
Capital Assets:		
Non-Depreciable Capital Assets		250,000
Depreciable Capital Assets, net		13,780,483
Total Assets		<u>18,292,082</u>
LIABILITIES:		
Accounts Payable		1,681
Accrued Wages and Benefits		941,836
Intergovernmental Payable		209,591
Matured Compensated Absences Payable		26,972
Deferred Revenue		2,095,201
Claims Payable		28,194
Long-Term Liabilities:		
Due Within One Year		357,053
Due in More Than One Year		3,217,121
Total Liabilities		<u>6,877,649</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		10,993,430
Restricted for Debt Service		342,922
Restricted for Capital Outlay		271,180
Restricted for Other Purposes		123,271
Unrestricted		(316,370)
Total Net Assets	\$	<u>11,414,433</u>

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2005**

	Program Revenues		Net(Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 4,593,952	\$ 761,349	\$ 142,544	(3,690,059)
Special	858,566		444,139	(414,427)
Vocational	152,502			(152,502)
Other	29,838			(29,838)
Support Services:				
Pupils	575,120	48,780	33,654	(492,686)
Instructional Staff	533,266			(533,266)
Board of Education	19,172			(19,172)
Administration	794,002		7,015	(786,987)
Fiscal	250,701			(250,701)
Business	345			(345)
Operation and Maintenance of Plant	1,048,492			(1,048,492)
Pupil Transportation	542,567			(542,567)
Central	25,760			(25,760)
Operation of Non-Instructional Services	443,513	239,724	184,459	(19,330)
Extracurricular Activities	315,456	120,438		(195,018)
Capital Outlay	890			(890)
Debt Service:				
Interest and Fiscal Charges	89,518			(89,518)
Totals	\$ 10,273,660	\$ 1,170,291	\$ 811,811	(8,291,558)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes			1,822,651	
Property Taxes, Levied for Capital Outlay			175,128	
Property Taxes, Levied for Debt Service			288,408	
Property Taxes, Levied for Other			29,151	
Income Taxes			919,831	
Grants and Entitlements not Restricted to Specific Programs			4,845,265	
Gifts and Donations			20,459	
Investment Earnings			30,612	
Miscellaneous			13,349	
Total General Revenues			8,144,854	
Change in Net Assets			(146,704)	
Net Assets Beginning of Year			11,561,137	
Net Assets End of Year			\$ 11,414,433	

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 50,942	\$ 323,907	\$ 259,823	\$ 152,169	\$ 786,841
Investments				115,205	115,205
Materials and Supplies Inventory	16,224			9,137	25,361
Accrued Interest Receivable	2,647				2,647
Accounts Receivable	8,658				8,658
Interfund Receivable	47,650				47,650
Prepaid Items	34,064				34,064
Taxes Receivable	1,805,477	253,353	166,756	38,940	2,264,526
Income Taxes Receivable	418,785				418,785
Noncurrent Assets:					
Advances to Other Funds	33,581				33,581
Total Assets	\$ 2,418,028	\$ 577,260	\$ 426,579	\$ 315,451	\$ 3,737,318
Liabilities					
Current Liabilities:					
Accounts Payable	712			969	1,681
Accrued Wages and Benefits	877,662			64,174	941,836
Interfund Payable				47,600	47,600
Intergovernmental Payable	132,612			5,997	138,609
Matured Compensated Absences Payable	23,758			3,214	26,972
Deferred Revenue	1,817,747	245,496	162,161	37,959	2,263,363
Noncurrent Liabilities:					
Advances from Other Funds				33,581	33,581
Total Liabilities	2,852,491	245,496	162,161	193,494	3,453,642
Fund Balances					
Reserved:					
Reserved for Encumbrances	1,293			14,594	15,887
Reserved for Inventory	16,224			9,137	25,361
Reserved for Prepaid Items	34,064				34,064
Reserved for Advances	33,581				33,581
Reserved for Property Taxes	46,258	7,857	4,595	981	59,691
Unreserved, Undesignated, Reported in:					
General Fund	(565,883)				(565,883)
Special Revenue Funds				97,008	97,008
Debt Service Funds		323,907			323,907
Capital Projects Funds			259,823	237	260,060
Total Fund Balances	(434,463)	331,764	264,418	121,957	283,676
Total Liabilities and Fund Balances	\$ 2,418,028	\$ 577,260	\$ 426,579	\$ 315,451	\$ 3,737,318

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2005**

Total Governmental Fund Balances	\$	283,676
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		14,030,483
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		168,162
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(70,982)
Internal Service Fund		
Claims Payable		(28,194)
Internal Service Cash		605,512
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
Interfund Payable	(50)	
General Obligation Bonds Payable	(2,246,053)	
Leases Payable	(791,000)	
Compensated Absences Payable	(537,121)	
	(3,574,224)	
Net Assets of Governmental Activities	\$	11,414,433

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 1,791,136	\$ 285,910	\$ 168,603	\$ 33,874	\$ 2,279,523
Income Tax	918,716				918,716
Intergovernmental	4,811,624	33,572	19,633	792,247	5,657,076
Interest	20,541	7		1,455	22,003
Tuition and Fees	755,999				755,999
Rent	372				372
Extracurricular Activities				169,218	169,218
Gifts and Donations	429		250	19,780	20,459
Customer Sales and Services	4,978			239,724	244,702
Miscellaneous	9,299			4,050	13,349
Total Revenues	<u>8,313,094</u>	<u>319,489</u>	<u>188,486</u>	<u>1,260,348</u>	<u>10,081,417</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	4,269,480			103,279	4,372,759
Special	454,232			364,759	818,991
Vocational	144,494				144,494
Other	21,738			8,100	29,838
Support Services:					
Pupils	492,328			82,168	574,496
Instructional Staff	404,832			85,654	490,486
Board of Education	19,172				19,172
Administration	725,111			20,516	745,627
Fiscal	232,278	6,384	3,401	813	242,876
Operation and Maintenance of Plant	888,343		79,899	53,826	1,022,068
Pupil Transportation	458,197				458,197
Central	25,102			658	25,760
Operation of Non-Instructional Services					
Extracurricular Activities	172,666		2,500	106,120	281,286
Capital Outlay	890				890
Debt Service:					
Principal		273,299	85,917		359,216
Interest		54,675	33,908		88,583
Total Expenditures	<u>8,308,863</u>	<u>334,358</u>	<u>205,625</u>	<u>1,252,688</u>	<u>10,101,534</u>
Excess of Revenues Over (Under) Expenditures	<u>4,231</u>	<u>(14,869)</u>	<u>(17,139)</u>	<u>7,660</u>	<u>(20,117)</u>
Net Change in Fund Balances	4,231	(14,869)	(17,139)	7,660	(20,117)
Fund Balance (Deficit) at Beginning of Year	(438,694)	346,633	281,557	114,297	303,793
Fund Balance (Deficit) at End of Year	<u>\$ (434,463)</u>	<u>\$ 331,764</u>	<u>\$ 264,418</u>	<u>\$ 121,957</u>	<u>\$ 283,676</u>

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ (20,117)

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

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

Capital Outlay - Depreciable Capital Assets	18,745	
Depreciation	(511,372)	
		(492,627)

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

Intergovernmental	-	
Interest	8,609	
Delinquent Property Taxes	35,815	
Income Taxes	1,115	
		45,539

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 358,281

Internal service fund is not included in governmental fund financial statements. (30,252)

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

Intergovernmental Payable	(5,652)	
Compensated Absences Payable	(1,876)	
		(7,528)

Change in Net Assets of Governmental Activities \$ (146,704)

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,842,610	\$ 1,775,725	\$ 1,775,726	\$ 1
Income Tax	805,000	867,468	867,468	
Intergovernmental	4,703,578	4,812,125	4,812,125	
Interest	15,000	19,007	19,796	789
Tuition and Fees	681,000	754,254	754,404	150
Rent	-	372	372	
Gifts and Donations	-	429	429	
Customer Sales and Services	5,000	4,888	4,978	90
Miscellaneous	872	3,253	3,253	(0)
Total Revenues	<u>8,053,060</u>	<u>8,237,521</u>	<u>8,238,551</u>	<u>1,030</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,591,030	6,812,488	4,173,373	2,639,115
Special	14,150	14,150	452,666	(438,516)
Vocational	650	650	142,502	(141,852)
Other	15,000	15,000	21,738	(6,738)
Support Services:				
Pupils	272,170	256,757	491,306	(234,549)
Instructional Staff	108,600	108,600	402,333	(293,733)
Board of Education	21,700	21,700	19,554	2,146
Administration	97,950	97,950	753,790	(655,840)
Fiscal	70,700	96,450	234,144	(137,694)
Operation and Maintenance of Plant	493,600	383,546	887,331	(503,785)
Pupil Transportation	328,415	400,915	453,724	(52,809)
Central	30,000	6,419	25,023	(18,604)
Extracurricular Activities		18,581	172,825	(154,244)
Capital Outlay	-	-	890	(890)
Total Expenditures	<u>8,043,965</u>	<u>8,233,205</u>	<u>8,231,199</u>	<u>2,006</u>
Excess of Revenues Over (Under) Expenditures	<u>9,095</u>	<u>4,316</u>	<u>7,352</u>	<u>(3,036)</u>
Other Financing Sources and Uses:				
Advances In	3,620	3,620	3,620	
Total Other Financing Sources and Uses	<u>3,620</u>	<u>3,620</u>	<u>3,620</u>	
Net Change in Fund Balances	12,715	7,936	10,972	(3,036)
Fund Balance (Deficit) at Beginning of Year	31,168	31,168	31,168	
Prior Year Encumbrances Appropriated	6,796	6,796	6,796	
Fund Balance (Deficit) at End of Year	<u>\$ 50,679</u>	<u>\$ 45,900</u>	<u>\$ 48,936</u>	<u>\$ (3,036)</u>

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Net Assets
Internal Service Fund
June 30, 2005**

Governmental Activities

Internal Service

ASSETS:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$ 50,834
Cash and Cash Equivalents with Fiscal Agents	<u>554,678</u>
Total Current Assets	<u>605,512</u>

Total Assets	<u><u>605,512</u></u>
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LIABILITIES:

Current Liabilities:

Claims Payable	<u>28,194</u>
Total Current Liabilities	<u>28,194</u>

Total Liabilities	<u><u>28,194</u></u>
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NET ASSETS:

Unrestricted	<u>577,318</u>
Total Net Assets	<u><u>\$ 577,318</u></u>

See Accompanying Notes to Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2005**

Governmental Activities

OPERATING REVENUES:

Charges for Services	\$ 789,827
Total Operating Revenues	<u>789,827</u>

OPERATING EXPENSES:

Purchased Services	76,473
Claims	<u>743,606</u>
Total Operating Expenses	<u>820,079</u>
Operating Income (Loss)	<u>(30,252)</u>

NON-OPERATING REVENUES (EXPENSES):

Interest	<u>8,609</u>
Total Non-Operating Revenues (Expenses)	<u>8,609</u>
Net Change in Net Assets	(21,643)

Net Assets (Deficit) at Beginning of Year 598,961

Net Assets (Deficit) at End of Year \$ 577,318

See Accompanying Notes to Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2005**

	Governmental Activities
	<u>Internal Service</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 789,827
Cash Payments for Contract Services	(76,473)
Cash Payments for Claims	<u>(838,837)</u>
Net Cash Used by Operating Activities	<u>(125,483)</u>
Cash Flows from Investing Activities:	
Interest Received	<u>8,609</u>
Net Cash Provided (Used) by Investing Activities	<u>8,609</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(116,874)
Cash and Cash Equivalents at Beginning of Year	<u>722,386</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>605,512</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ (30,252)
Adjustments	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>(95,231)</u>
Net Cash Used by Operating Activities	\$ <u><u>(125,483)</u></u>

See Accompanying Notes to Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>24,432</u>
Total Assets	<u>24,432</u>
Liabilities	
Current Liabilities:	
Undistributed Monies	<u>24,432</u>
Total Liabilities	\$ <u><u>24,432</u></u>

See Accompanying Notes to the Basic Financial Statements

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**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Crestview Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Crestview Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 39 non-certified and 90 certified full-time teaching personnel who provide services to 1,003 students and other community members.

The Reporting Entity

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

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

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Area Cooperative Computerized Educational Service System, Columbiana County Career Center, Columbiana County School Employees Insurance Consortium, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Program. These organizations are presented in Notes 16 and 17 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvement Capital Projects Fund are the District's major governmental funds:

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

F. Cash and Investments

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

During fiscal year 2005, investments were limited to STAR Ohio and repurchase agreements. Investments in nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. 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, 2005.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$20,541 and \$1,462 to other District funds.

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. Inventory

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

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

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported on the government-wide 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, and are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

N. Fund Balance Reserves and Designations

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

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

O. Interfund Assets/Liabilities

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

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

P. Estimates

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	\$4,231
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received In Cash FY 2005	343,296
Accrued FY 2005, Not Yet Received in Cash	(417,820)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(904,805)
Accrued FY 2005, Not Yet Paid in Cash	984,456
Advances Net	3,620
Encumbrances Outstanding at Year End (Budget Basis)	(2,005)
Budget Basis	\$10,973

4. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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 that the Board 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.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At year end, the District had \$420 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

At June 30, 2005, the District's internal service fund had a balance of \$605,512 with OME-RESA, a claims servicing pool (See Note 9). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$674,130 of the District's bank balance of \$1,106,029 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2005, the District had the following investments. All investments are in an internal investment pool.

	<u>Carrying and Fair Value</u>	<u>Maturity</u>
Repurchase Agreement	\$433,643	July 1, 2005
STAR Ohio	2,286	Average
Total Investments	<u>\$435,929</u>	

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

Credit Risk - STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District has no investment policy that would further limit its investment choices.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2005 were levied after April 1, 2004, on the assessed values as of December 31, 2003, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. PROPERTY TAXES-(Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2005 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2005 was \$46,258 in the General Fund, \$7,857 in the Debt Service Fund, \$4,595 in the Capital Projects Fund, and \$981 in the Special Revenue Fund. The amount available as an advance at June 30, 2004 was \$30,848 in the General Fund, \$5,265 in the Debt Service Fund, and \$3,773 and in the Special Revenue Fund.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$69,405,050	81%	\$76,530,070	82%
Industrial/Commercial	6,134,960	7%	6,483,990	7%
Public Utility	5,800,580	7%	5,784,930	6%
Tangible Personal	4,808,070	5%	4,646,940	5%
Total Assessed Value	<u>\$86,148,660</u>	<u>100%</u>	<u>\$93,445,930</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$36.62		\$36.62	

6. SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% permanent school district income tax in the November 1989 election that became effective January 1, 1990. School district income tax revenue received by the General Fund during fiscal year 2005 was \$918,716.

7. RECEIVABLES

Receivables at June 30, 2005, consisted of property, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

The District didn't have any intergovernmental receivables at June 30, 2005.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$250,000			\$250,000
Total Nondepreciable Capital Assets	250,000			250,000
Depreciable Capital Assets				
Land Improvements	39,075	\$5,345		44,420
Buildings and Building Improvements	16,884,203			16,884,203
Furniture, Fixtures, and Equipment	687,852	13,400		701,252
Vehicles	925,378			925,378
Total Depreciable Capital Assets	18,536,508	18,745		18,555,253
Less Accumulated Depreciation				
Land Improvements	1,434	1,111		2,545
Buildings and Building Improvements	3,564,657	405,214		3,969,871
Furniture, Fixtures, and Equipment	186,952	33,983		220,935
Vehicles	510,355	71,064		581,419
Total Accumulated Depreciation	4,263,398	511,372		4,774,770
Depreciable Capital Assets, Net	14,273,110	(492,627)		13,780,483
Governmental Activities Capital Assets, Net	<u>\$14,523,110</u>	<u>(\$492,627)</u>		<u>\$14,030,483</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$204,233
Special	36,691
Vocational	6,672
Support Services:	
Pupil	10,959
Instructional Staff	30,000
Administration	40,872
Fiscal	6,671
Business	345
Operation and Maintenance of Plant	34,476
Pupil Transportation	82,945
Non-Instructional Services	18,001
Extracurricular	39,487
Total Depreciation Expense	<u>\$511,372</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2005, the District has contracted with the following insurance companies to provide coverage in the following amounts:

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal 2005.

B. Health and Dental Insurance

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

All funds of the District participate in the program and make payment to the Self-Insurance Fund based upon actuarial estimates of the amounts needed to pay prior and current-year claims. The claims liability of \$28,194 reported in the Self Insurance Internal Service Fund at June 30, 2005 is based upon the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of financial statements and the amount of the loss can be reasonably estimated.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. RISK MANAGEMENT

Claims in the fund's claims liability during fiscal years 2004 and 2005 were:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2004	\$63,034	\$143,410	\$83,019	\$123,425
2005	\$123,425	\$743,606	\$838,837	\$28,194

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

C. OSBA Group Rating Program

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

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

10. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. DEFINED PENSION BENEFIT PLANS – (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$167,629, \$151,427, and \$139,150, respectively. 50 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The unpaid contributions for fiscal year 2005 are \$83,568.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, 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.

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.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. DEFINED PENSION BENEFIT PLANS – (Continued)

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salaries. The District is required to contribute at an actuarially determine rate. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$645,627, \$599,474, and \$552,101, respectively; 84 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, four board members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2004, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

11. POSTEMPLOYMENT BENEFITS – (Continued)

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the allocation rate is 4.91%. 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 2004, the minimum pay has been established as \$24,500. 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.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of participants currently receiving health care benefits is approximately 62,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .35072, then adding the surcharge due as of June 30, 2004, as certified to your district by SERS.

12. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 2 weeks of vacation per year after 1 year of service, 3 weeks of vacation per year after 10 years of service, and 4 weeks of vacation per year after 18 years of service. The 4 principals, special education supervisor, superintendent and Treasurer do not earn vacation; their contracts are for a specific number of days and the rest of the year are non-contract days. The high school principal is contracted for 240 days, the middle school principal for 240 days, the elementary principal for 220 days, and the superintendent for 240 days. The Treasurer is contracted for 240 days, the special education supervisor for 160 days, and the assistant principal 220 days. Accumulated, unused vacation time is not paid to classified employees and administrators upon termination of employment. Certified employees do not earn vacation.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated up to a maximum of 15 days per year for all personnel. The total lifetime maximum sick leave accumulation for personnel is 250 days for certified employees, and 220 days for classified employees. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 47 days for certified employees, and 46 days for classified employees.

13. LONG-TERM OBLIGATIONS

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

13. LONG-TERM OBLIGATIONS – (Continued)

During the year ended June 30, 2005, the following changes occurred in obligations reported in the government-wide financial statements:

	Balance at 6/30/04	Additions	Deductions	Balance at 6/30/05	Due Within One Year
General Obligation Bond Payable	\$2,480,000		\$250,000	\$2,230,000	\$255,000
Energy Conservation Notes Payable	39,334		23,281	16,053	16,053
Capital Lease Obligation	876,000		85,000	791,000	86,000
Compensated Absences	535,245	\$537,121	535,245	537,121	
Total	\$3,930,579	\$537,121	\$893,526	\$3,574,174	\$357,053

School Energy Conservation Note

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

Total expenditures for interest for the above debt for the period ended June 30, 2005 was \$87,271.

The scheduled payments of principal and interest on debt outstanding at June 30, 2005 are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$271,053	\$49,260	\$320,313
2007	250,000	43,888	293,888
2008	245,000	38,631	283,631
2009	250,000	32,750	282,750
2010	245,000	26,256	271,256
2011-2015	900,844	274,337	1,175,181
2016	84,156	125,847	210,003
Total	\$2,246,053	\$590,969	\$2,837,022

14. CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

14. CAPITALIZED LEASES - LESSEE DISCLOSURE – (Continued)

Capital assets acquired by lease have been capitalized in the government-wide net assets statement in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the government-wide net assets statement. Principal payments in the 2005 fiscal year totaled \$85,000. This amount is reflected as debt service principal retirement in the Capital Projects Fund.

The following is an analysis of the equipment under capital lease as of June 30, 2005:

Football Stadium and Track, Carrying Value	<u>\$791,000</u>
--	------------------

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

Year Ending June 30,	Payments
2006	\$118,246
2007	118,245
2008	117,809
2009	117,923
2010	117,679
2011	117,055
2012	117,017
2013	<u>117,720</u>
Total Future Minimum Lease Payments	941,694
Less: Amount Representing Interest	<u>(150,694)</u>
Present Value of Future Minimum Lease Payments	<u>\$791,000</u>

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2004	(\$96,979)	
Current Year Set-aside Requirement	162,779	\$162,779
Current Year Offsets		(245,533)
Qualifying Disbursements	<u>(98,530)</u>	
Total	<u>(\$32,730)</u>	<u>(\$82,754)</u>
Cash Balance Carried Forward to FY 2006	<u>(\$32,730)</u>	

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for the capital acquisition reserve.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS

A. Area Cooperative Computerized Educational Service System

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

B. Columbiana County Career Center

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

17. GROUP PURCHASING POOLS

A. Columbiana County School Employees Insurance Consortium

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

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

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

The Executive Director of the OASBO, or his designee, serves as coordinator of the Program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the Program.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

18. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

B. Litigation

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

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**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$26,483		\$26,483
National School Breakfast Program	05PU-2005 05PU-2004	10.553	23,357 <u>5,323</u>		23,357 <u>5,323</u>	
			28,680		28,680	
National School Lunch Program	LLN4-2005 LLP4-2004	10.555	101,003 <u>23,510</u>		101,003 <u>23,510</u>	
			124,513		124,513	
Federal Fresh Fruit & Vegetable Program Grant	VGS1-2005	10.555	<u>12,423</u>		<u>12,423</u>	
			<u>136,935</u>		<u>136,935</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			165,615	\$26,483	165,615	\$26,483
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Step Up to the Plate - Mini Grant	TWSU-2004	10.574			2000	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2005 C1-S1-2004	84.010	239,501 <u>8,566</u>		237,501 <u>9,971</u>	
Total Grants to Local Educational Agencies (Title 1)			248,068		247,472	
Positive Behavior Support Grant	6BPB-2005	84.027	9,190		9,190	
Drug Free Schools	DR-S1-2005 DR-S1-2004	84.186	7,254 <u>110</u>		7,254 <u>110</u>	
Total Drug Free Schools			7,364		7,364	
Innovative Educational Program	C2-S1-2005	84.298	4,581		4,581	
Technology Literacy Challenge Fund Grant	TJ-S1-2005	84.318	6,128		6,128	
Title II-A, State grants for Improving Teacher Quality	TR-S1-2005	84.367	<u>65,284</u>		<u>65,284</u>	
Total U.S. Department of Education			<u>340,615</u>		<u>342,019</u>	
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>						
<i>Passed through Ohio Emergency Management Agency:</i>						
FEMA Reimbursement	DR-029-026DD	97.036	5,463		5,463	
Totals			<u>511,694</u>	<u>\$26,483</u>	<u>513,098</u>	<u>\$26,483</u>

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

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

Crestview Local School District
Columbiana County
44100 Crestview Road #A
Columbiana, Ohio 44408-9606

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestview Local School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated August 15, 2006, we reported other matters related to noncompliance we deemed immaterial.

Crestview Local School District
Columbiana County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, board of education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 15, 2006



Auditor of State Betty Montgomery

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

Crestview Local School District
Columbiana County
44100 Crestview Road #A
Columbiana, Ohio 44408-9606

To the Board of Education:

Compliance

We have audited the compliance of Crestview Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The District's management 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 the District's internal control over compliance with requirements that could directly and materially affect a major federal program 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 timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, board of education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 15, 2006

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CRESTVIEW LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 3, 2006**