

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED*

*JUNE 30, 2008*

**CAROL CORBETT, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Crestwood Local School District  
4565 West Prospect St.  
Mantua, Ohio 44255

We have reviewed the *Independent Auditor's Report* of the Crestwood Local School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 13, 2009

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**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 30, 2008

The Board of Education  
Crestwood Local School District  
4565 West Prospect Street  
Mantua, Ohio 44255

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestwood Local School District (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended 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 December 30, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Crestwood Local School District  
Independent Auditor's Report  
December 30, 2008  
Page 2

The Management's Discussion and Analysis on pages 3 through 12 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Rea & Associates, Inc.*



**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management's discussion and analysis of the Crestwood Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$426,252 which represents 1.97% increase from 2007.
- General revenues accounted for \$19,827,760 in revenue or 83.70% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$3,861,973 or 16.30% of total revenues of \$23,689,733.
- The District had \$23,263,481 in expenses related to governmental activities; only \$3,861,973 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,827,760 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$20,647,166 in revenues and other financing sources and \$20,073,688 in expenditures and other financing sources. The general fund had a decrease in the reserve for inventory for 2008 of \$1,484. During fiscal year 2008, the general fund's fund balance increased \$571,994 from \$1,166,880 to \$1,738,874.
- The classroom facilities fund had \$53,242 in revenues and \$9,217 in expenditures. During fiscal year 2008, the classroom facilities fund's fund balance increased \$44,025 from \$1,620,419 to \$1,664,444.

**Using the Basic Financial Statements (BFS)**

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

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

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

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

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

*Fund Financial Statements*

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

*Governmental Funds*

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

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-46 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2008 and 2007.

	<b>Net Assets</b>	
	<b>Governmental Activities <u>2008</u></b>	<b>Governmental Activities <u>2007</u></b>
<b><u>Assets</u></b>		
Current and other assets	\$ 16,471,182	\$ 15,886,384
Capital assets, net	<u>24,372,459</u>	<u>24,867,107</u>
Total assets	<u>40,843,641</u>	<u>40,753,491</u>
<b><u>Liabilities</u></b>		
Current liabilities	10,653,658	10,837,498
Long-term liabilities	<u>8,080,459</u>	<u>8,232,721</u>
Total liabilities	<u>18,734,117</u>	<u>19,070,219</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	17,603,951	17,766,023
Restricted	3,903,803	3,670,779
Unrestricted	<u>601,770</u>	<u>246,470</u>
Total net assets	<u><u>\$ 22,109,524</u></u>	<u><u>\$ 21,683,272</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$22,109,524.

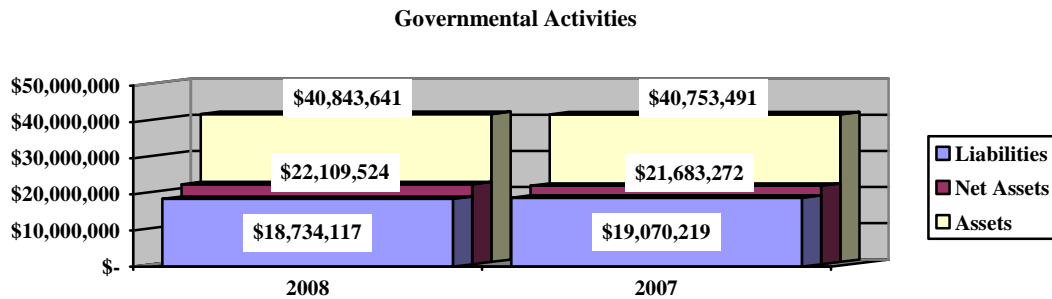
**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

At year-end, capital assets represented 59.67% of total assets. Capital assets include land, land improvements, buildings, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$17,603,951. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$3,903,803, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$601,770 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net assets at June 30, 2008 and 2007.



The table below shows the change in net assets for fiscal year 2008 and 2007.

**Change in Net Assets**

	Governmental Activities 2008	Governmental Activities 2007
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,829,271	\$ 1,216,319
Operating grants and contributions	2,021,365	2,107,517
Capital grants and contributions	11,337	49,978
General revenues:		
Property taxes	6,864,826	7,113,823
Grants and entitlements	12,406,113	11,957,545
Investment earnings	313,007	378,066
Other	243,814	352,670
<b>Total revenues</b>	<b>23,689,733</b>	<b>23,175,918</b>

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<b>Change in Net Assets</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2008</u>	<u>2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 9,631,373	\$ 9,255,123
Special	1,633,785	1,424,741
Vocational	198,561	207,487
Other	1,227,506	1,280,660
Support services:		
Pupil	1,034,966	1,152,641
Instructional staff	1,083,624	1,166,933
Board of education	12,737	11,245
Administration	1,988,842	2,123,137
Fiscal	497,338	449,962
Business	25,781	42,304
Operations and maintenance	2,218,025	1,839,197
Pupil transportation	1,600,977	1,614,138
Central	331,912	147,656
Food service operations	637,288	630,858
Operations of non-instructional services	151,402	136,423
Extracurricular activities	608,091	525,284
Interest and fiscal charges	<u>381,273</u>	<u>389,179</u>
Total expenses	<u>23,263,481</u>	<u>22,396,968</u>
<b><u>Extraordinary item</u></b>		
Litigation settlement	-	250,000
Payment to OSFC	<u>-</u>	<u>(250,000)</u>
Change in net assets	426,252	778,950
Net assets at beginning of year	<u>21,683,272</u>	<u>20,904,322</u>
Net assets at end of year	<u>\$ 22,109,524</u>	<u>\$ 21,683,272</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$426,252. Total governmental expenses of \$23,263,481 were offset by program revenues of \$3,861,973 and general revenues of \$19,827,760. Program revenues supported 16.60% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 81.35% of total governmental revenue. Real estate property is reappraised every six years.

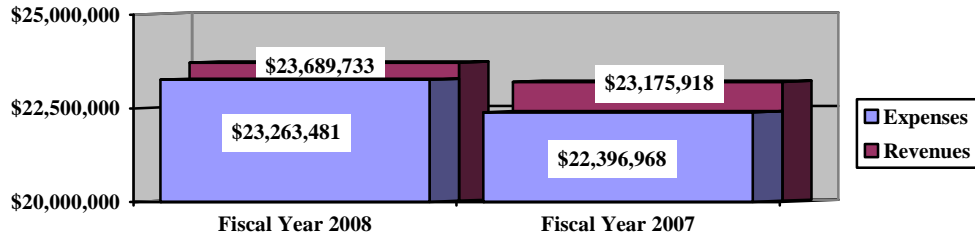
The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,691,225 or 54.55% of total governmental expenses for fiscal year 2008.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

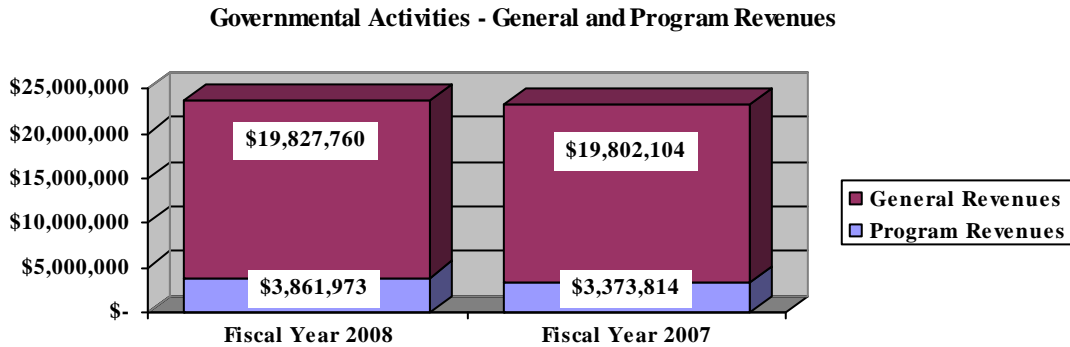
	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 9,631,373	\$ 9,086,036	\$ 9,255,123	\$ 8,544,582
Special	1,633,785	(438,591)	1,424,741	54,218
Vocational	198,561	148,944	207,487	153,426
Other	1,227,506	1,227,506	1,280,660	1,280,660
Support services:				
Pupil	1,034,966	968,884	1,152,641	1,045,224
Instructional staff	1,083,624	973,153	1,166,933	985,455
Board of education	12,737	12,737	11,245	11,245
Administration	1,988,842	1,969,307	2,123,137	2,110,180
Fiscal	497,338	497,338	449,962	449,962
Business	25,781	25,781	42,304	42,304
Operations and maintenance	2,218,025	2,214,989	1,839,197	1,836,923
Pupil transportation	1,600,977	1,489,339	1,614,138	1,489,877
Central	331,912	320,733	147,656	124,012
Food service operations	637,288	15,687	630,858	31,929
Operations of non-instructional services	151,402	38,150	136,423	10,715
Extracurricular activities	608,091	470,242	525,284	463,263
Interest and fiscal charges	381,273	381,273	389,179	389,179
<b>Total expenses</b>	<b>\$ 23,263,481</b>	<b>\$ 19,401,508</b>	<b>\$ 22,396,968</b>	<b>\$ 19,023,154</b>

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The dependence upon tax and other general revenues for governmental activities is apparent, 78.98% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.40%. The District's taxpayers and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$5,473,930, which is higher than last year's total of \$4,711,089. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	<u>Fund Balance June 30, 2008</u>	<u>Fund Balance June 30, 2007</u>	<u>Increase</u>
General	\$ 1,738,874	\$ 1,166,880	\$ 571,994
Classroom Facilities	1,664,444	1,620,419	44,025
Other Governmental	<u>2,070,612</u>	<u>1,923,790</u>	<u>146,822</u>
Total	<u>\$ 5,473,930</u>	<u>\$ 4,711,089</u>	<u>\$ 762,841</u>

**General Fund**

The District's general fund's fund balance increased by \$571,994. The increase in fund balance can be attributed to slightly increasing revenues still being more than increased expenditures.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 5,867,029	\$ 6,079,624	(3.50) %
Tuition	1,151,936	1,118,765	2.96 %
Earnings on investments	258,421	307,005	(15.83) %
Intergovernmental	13,120,213	12,783,716	2.63 %
Other revenues	<u>249,108</u>	<u>316,121</u>	(21.20) %
 Total	 <u>\$ 20,646,707</u>	 <u>\$ 20,605,231</u>	 0.20 %
<b><u>Expenditures</u></b>			
Instruction	11,498,513	11,270,851	2.02 %
Support services	8,217,162	7,921,907	3.73 %
Extracurricular activities	350,419	334,415	4.79 %
Debt service	<u>693</u>	<u>20,485</u>	(96.62) %
 Total	 <u>\$ 20,066,787</u>	 <u>\$ 19,547,658</u>	 2.66 %

Revenues of the general fund increased slightly during the fiscal year primarily due to the increase in tuition revenue and the increase in intergovernmental revenues. Expenditures increased slightly during the year primarily due to increases in the expenditures of support services and extracurricular activities. Tuition collections increased in 2008 due to an increase in revenues related to open enrollment, tuition from other districts and tuition related to the Hattie Larlham organization, which provides services to special needs students. Tax revenue decreased from HB 66, which phases out the tax on tangible personal property of general businesses. The District is reimbursed for this lost revenue from the State, which is the primary reason intergovernmental revenues increased 2.63% from the prior year. This reimbursement will be phased out in calendar years 2011-2017. Expenditures related to extracurricular activities increased due to a slight increase in salaries and benefits as well as an increase in miscellaneous extracurricular purchased services. Debt service expenditures decreased due to the District paying off the capital lease during the year. The District has made a conscious effort to decrease expenditures and has replaced personnel only where needed when staff retired or resigned. This effort has resulted in a minimal overall increase in expenditures.

***Classroom Facilities Fund***

The classroom facilities fund had \$53,242 in revenues and \$9,217 in expenditures. During fiscal year 2008, the classroom facilities fund's fund balance increased \$44,025 from \$1,620,419 to \$1,664,444. The increase in fund balance can be attributed to the decrease in payments made from this fund in relation to the OSFC project.



**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

***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 2008, the District amended its general fund budget several times. For the general fund, original revenues and other financing sources were \$19,853,641. The final budgeted revenues and other financing sources were increased to \$19,772,412. Actual revenues and other financing sources for fiscal year 2008 were \$20,941,373. This represents a \$1,168,961 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures and other financing uses) of \$23,394,162 were decreased to \$22,959,672 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$20,687,292, which was \$2,272,380 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2008, the District had \$24,372,459 invested in land, land improvements, buildings, furniture and equipment and vehicles. The entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 1,586,606	\$ 1,586,606
Land improvements	1,150,672	1,117,542
Buildings	19,604,145	20,059,217
Furniture and equipment	1,229,594	1,240,928
Vehicles	<u>801,442</u>	<u>862,814</u>
Total	<u>\$ 24,372,459</u>	<u>\$ 24,867,107</u>

The overall decrease in capital assets of \$494,648 is due to depreciation expense of \$780,470 and disposals of \$6,662 (net of accumulated depreciation) exceeding capital outlays of \$292,484.

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

***Debt Administration***

At June 30, 2008, the District had \$7,054,727 in general obligation bonds outstanding and \$34,508 in EPA asbestos loan outstanding. Of this total, \$346,901 is due within one year and \$6,742,334 is due within greater than one year.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The following table summarizes the debt outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
General obligation bonds	\$ 7,054,727	\$ 7,316,498
EPA asbestos loan	34,508	41,409
Capital lease	<u>-</u>	<u>675</u>
<b>Total</b>	<b><u>\$ 7,089,235</u></b>	<b><u>\$ 7,358,582</u></b>

At June 30, 2008, the District's overall legal debt margin was \$20,997,298 with an unvoted debt margin of \$302,489.

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

**Current Financial Related Activities**

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

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

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Carol F. Corbett, Treasurer/CFO, Crestwood Local School District, 4565 West Prospect St., Mantua, Ohio 44255.

**BASIC  
FINANCIAL STATEMENTS**



**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 8,199,332
Investments in segregated accounts. . . . .	26,480
Receivables:	
Taxes . . . . .	7,901,113
Accounts . . . . .	61,048
Intergovernmental . . . . .	245,065
Accrued interest . . . . .	256
Loans . . . . .	1,003
Materials and supplies inventory . . . . .	36,885
Capital assets:	
Land . . . . .	1,586,606
Depreciable capital assets, net . . . . .	<u>22,785,853</u>
Capital assets, net. . . . .	<u>24,372,459</u>
 Total assets. . . . .	 <u>40,843,641</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	66,421
Accrued wages and benefits . . . . .	2,383,434
Matured compensated absences payable . . . . .	101,864
Pension obligation payable. . . . .	512,284
Intergovernmental payable . . . . .	135,035
Unearned revenue. . . . .	7,379,653
Early retirement incentive payable . . . . .	50,000
Accrued interest payable . . . . .	24,967
Long-term liabilities:	
Due within one year. . . . .	416,269
Due within more than one year . . . . .	<u>7,664,190</u>
 Total liabilities . . . . .	 <u>18,734,117</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	17,603,951
Restricted for:	
Capital projects . . . . .	2,552,727
Debt service. . . . .	503,469
Perpetual care:	
Expendable . . . . .	9,804
Nonexpendable . . . . .	26,480
Classroom facilities maintenance . . . . .	649,522
State funded programs . . . . .	23,206
Federally funded programs . . . . .	157
Other purposes . . . . .	138,438
Unrestricted. . . . .	<u>601,770</u>
 Total net assets . . . . .	 <u>\$ 22,109,524</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 9,631,373	\$ 427,757	\$ 117,580	\$ -	\$ (9,086,036)
Special . . . . .	1,633,785	844,843	1,227,533	-	438,591
Vocational . . . . .	198,561	-	49,617	-	(148,944)
Other . . . . .	1,227,506	-	-	-	(1,227,506)
Support services:					
Pupil . . . . .	1,034,966	-	66,082	-	(968,884)
Instructional staff . . . . .	1,083,624	2,048	108,423	-	(973,153)
Board of education . . . . .	12,737	-	-	-	(12,737)
Administration . . . . .	1,988,842	301	19,234	-	(1,969,307)
Fiscal . . . . .	497,338	-	-	-	(497,338)
Business . . . . .	25,781	-	-	-	(25,781)
Operations and maintenance . . . . .	2,218,025	2,593	443	-	(2,214,989)
Pupil transportation . . . . .	1,600,977	3,588	96,713	11,337	(1,489,339)
Central . . . . .	331,912	-	11,179	-	(320,733)
Operation of non-instructional services:					
Food service operations . . . . .	637,288	427,054	194,547	-	(15,687)
Other non-instructional services . . . . .	151,402	-	113,252	-	(38,150)
Extracurricular activities . . . . .	608,091	121,087	16,762	-	(470,242)
Interest and fiscal charges . . . . .	381,273	-	-	-	(381,273)
Total governmental activities . . . . .	\$ 23,263,481	\$ 1,829,271	\$ 2,021,365	\$ 11,337	(19,401,508)
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					5,804,647
Special revenue . . . . .					108,507
Debt service . . . . .					573,742
Capital projects . . . . .					377,930
Grants and entitlements not restricted to specific programs . . . . .					12,406,113
Investment earnings . . . . .					313,007
Miscellaneous . . . . .					243,814
Total general revenues . . . . .					19,827,760
Change in net assets . . . . .					426,252
<b>Net assets at beginning of year . . . . .</b>					<b>21,683,272</b>
<b>Net assets at end of year . . . . .</b>					<b>\$ 22,109,524</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<b>General</b>	<b>Classroom Facilities</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 4,133,468	\$ 1,664,444	\$ 2,273,982	\$ 8,071,894
Investments in segregated accounts . . . . .	-	-	26,480	26,480
Receivables:				
Taxes . . . . .	6,659,002	-	1,242,111	7,901,113
Accounts . . . . .	61,048	-	-	61,048
Intergovernmental . . . . .	101,014	-	144,051	245,065
Accrued interest . . . . .	-	-	256	256
Interfund receivable . . . . .	122,852	-	-	122,852
Loans . . . . .	1,003	-	-	1,003
Materials and supplies inventory . . . . .	10,932	-	25,953	36,885
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	127,438	-	-	127,438
<b>Total assets . . . . .</b>	<b>\$ 11,216,757</b>	<b>\$ 1,664,444</b>	<b>\$ 3,712,833</b>	<b>\$ 16,594,034</b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 56,269	\$ -	\$ 10,152	\$ 66,421
Accrued wages and benefits . . . . .	2,208,283	-	175,151	2,383,434
Matured compensated absences payable. . . . .	101,864	-	-	101,864
Pension obligation payable . . . . .	477,301	-	34,983	512,284
Intergovernmental payable . . . . .	126,159	-	8,876	135,035
Interfund payable . . . . .	-	-	122,852	122,852
Deferred revenue . . . . .	239,234	-	129,327	368,561
Unearned revenue . . . . .	6,218,773	-	1,160,880	7,379,653
Early retirement incentive payable . . . . .	50,000	-	-	50,000
<b>Total liabilities . . . . .</b>	<b>9,477,883</b>	<b>-</b>	<b>1,642,221</b>	<b>11,120,104</b>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	433,743	263,739	23,386	720,868
Reserved for materials and supplies inventory . . . . .	10,932	-	25,953	36,885
Reserved for tax revenue unavailable for appropriation. . . . .	200,995	-	38,158	239,153
Reserved for endowments . . . . .	-	-	26,480	26,480
Reserved for textbooks. . . . .	120,576	-	-	120,576
Reserved for bus purchases . . . . .	6,862	-	-	6,862
Unreserved, undesignated, reported in:				
General fund. . . . .	965,766	-	-	965,766
Permanent improvement fund . . . . .	-	-	9,677	9,677
Special revenue funds. . . . .	-	-	613,016	613,016
Debt service fund . . . . .	-	-	485,782	485,782
Capital projects funds. . . . .	-	1,400,705	848,160	2,248,865
<b>Total fund balances . . . . .</b>	<b>1,738,874</b>	<b>1,664,444</b>	<b>2,070,612</b>	<b>5,473,930</b>
<b>Total liabilities and fund balances. . . . .</b>	<b>\$ 11,216,757</b>	<b>\$ 1,664,444</b>	<b>\$ 3,712,833</b>	<b>\$ 16,594,034</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances</b>		\$	5,473,930
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			24,372,459
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	282,307	
Intergovernmental receivable		86,127	
Accrued interest receivable		127	
Total			368,561
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(24,967)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(7,054,727)	
Asbestos removal loan		(34,508)	
Compensated absences payable		(991,224)	
Total			(8,080,459)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>22,109,524</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,867,029	\$ -	\$ 1,067,963	\$ 6,934,992
Tuition . . . . .	1,151,936	-	-	1,151,936
Transportation fees . . . . .	3,588	-	-	3,588
Charges for services . . . . .	-	-	426,510	426,510
Earnings on investments . . . . .	258,421	53,242	2,089	313,752
Extracurricular . . . . .	-	-	93,401	93,401
Classroom materials and fees . . . . .	-	-	102,814	102,814
Other local revenues . . . . .	245,520	-	70,592	316,112
Other revenue . . . . .	-	-	2,050	2,050
Intergovernmental - state . . . . .	13,120,213	-	326,438	13,446,651
Intergovernmental - federal . . . . .	-	-	894,403	894,403
Total revenue . . . . .	<u>20,646,707</u>	<u>53,242</u>	<u>2,986,260</u>	<u>23,686,209</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	9,025,519	-	243,861	9,269,380
Special . . . . .	1,058,571	-	515,471	1,574,042
Vocational . . . . .	187,621	-	-	187,621
Other . . . . .	1,226,802	-	-	1,226,802
Support services:				
Pupil . . . . .	956,393	-	68,655	1,025,048
Instructional staff . . . . .	955,367	-	118,682	1,074,049
Board of education . . . . .	12,737	-	-	12,737
Administration . . . . .	1,934,128	-	27,785	1,961,913
Fiscal . . . . .	464,213	-	20,678	484,891
Business . . . . .	25,781	-	-	25,781
Operations and maintenance . . . . .	2,101,043	-	54,537	2,155,580
Pupil transportation . . . . .	1,460,073	-	69,998	1,530,071
Central . . . . .	307,427	-	10,874	318,301
Operation of non-instructional services:				
Food service operations . . . . .	-	-	632,103	632,103
Other non-instructional services . . . . .	-	-	153,675	153,675
Extracurricular activities . . . . .	350,419	-	186,227	536,646
Facilities acquisition and construction . . . . .	-	9,217	91,134	100,351
Debt service:				
Principal retirement . . . . .	675	-	331,901	332,576
Interest and fiscal charges . . . . .	18	-	320,299	320,317
Total expenditures . . . . .	<u>20,066,787</u>	<u>9,217</u>	<u>2,845,880</u>	<u>22,921,884</u>
Excess of revenues over expenditures . . . . .	<u>579,920</u>	<u>44,025</u>	<u>140,380</u>	<u>764,325</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	459	-	6,901	7,360
Transfers (out) . . . . .	(6,901)	-	(459)	(7,360)
Total other financing sources (uses) . . . . .	<u>(6,442)</u>	<u>-</u>	<u>6,442</u>	<u>-</u>
Net change in fund balances . . . . .	573,478	44,025	146,822	764,325
<b>Fund balances at beginning of year . . . . .</b>	<b>1,166,880</b>	<b>1,620,419</b>	<b>1,923,790</b>	<b>4,711,089</b>
<b>Decrease in reserve for inventory . . . . .</b>	<b>(1,484)</b>	<b>-</b>	<b>-</b>	<b>(1,484)</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 1,738,874</u></b>	<b><u>\$ 1,664,444</u></b>	<b><u>\$ 2,070,612</u></b>	<b><u>\$ 5,473,930</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<b>Net change in fund balances - total governmental funds</b>	\$	764,325
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 292,484	
Current year depreciation	<u>(780,470)</u>	
Total		(487,986)
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.		(6,662)
In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		
Decrease in accrued interest payable	2,273	
Accreted interest on "capital appreciation" bonds	<u>(63,229)</u>	
Total		(60,956)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		(1,484)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(70,166)	
Intergovernmental revenue	73,763	
Accrued interest	<u>(73)</u>	
Total		3,524
Repayment of bonds, loans, and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		332,576
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(117,085)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>426,252</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,577,867	\$ 5,555,045	\$ 5,883,539	\$ 328,494
Tuition . . . . .	1,201,321	1,196,406	1,267,154	70,748
Transportation fees . . . . .	3,948	3,932	4,164	232
Earnings on investments . . . . .	244,995	243,993	258,421	14,428
Other local revenues . . . . .	244,837	243,835	258,254	14,419
Intergovernmental - state . . . . .	12,342,803	12,292,303	13,019,199	726,896
Total revenue . . . . .	<u>19,615,771</u>	<u>19,535,514</u>	<u>20,690,731</u>	<u>1,155,217</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	10,191,951	10,002,660	8,893,124	1,109,536
Special . . . . .	1,204,655	1,182,282	1,051,138	131,144
Vocational . . . . .	245,316	240,760	214,054	26,706
Other . . . . .	1,540,147	1,511,542	1,343,876	167,666
Support services:				
Pupil . . . . .	1,103,596	1,083,099	962,957	120,142
Instructional staff . . . . .	1,111,900	1,091,250	970,204	121,046
Board of education . . . . .	14,723	14,450	12,847	1,603
Administration . . . . .	2,274,134	2,231,897	1,984,326	247,571
Fiscal . . . . .	517,763	508,147	451,781	56,366
Business . . . . .	29,547	28,997	25,781	3,216
Operations and maintenance . . . . .	2,720,627	2,670,098	2,373,920	296,178
Pupil transportation . . . . .	1,683,922	1,652,648	1,469,329	183,319
Central . . . . .	358,036	351,386	312,409	38,977
Extracurricular activities . . . . .	397,845	390,456	347,145	43,311
Total expenditures . . . . .	<u>23,394,162</u>	<u>22,959,672</u>	<u>20,412,891</u>	<u>2,546,781</u>
Excess of revenues over (under) expenditures . . . . .	<u>(3,778,391)</u>	<u>(3,424,158)</u>	<u>277,840</u>	<u>3,701,998</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	178	178	188	10
Transfers in . . . . .	685	683	459	(224)
Transfers (out) . . . . .	-	-	(6,901)	(6,901)
Advances in . . . . .	233,532	232,577	246,330	13,753
Advances (out) . . . . .	-	-	(222,175)	(222,175)
Refund of prior year receipt . . . . .	-	-	(45,325)	(45,325)
Sale of capital assets . . . . .	3,475	3,460	3,665	205
Total other financing sources (uses) . . . . .	<u>237,870</u>	<u>236,898</u>	<u>(23,759)</u>	<u>(260,657)</u>
Net change in fund balance . . . . .	(3,540,521)	(3,187,260)	254,081	3,441,341
<b>Fund balance at beginning of year . . . . .</b>	3,187,260	3,187,260	3,187,260	-
<b>Prior year encumbrances appropriated . . . . .</b>	353,261	353,261	353,261	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ 353,261</u>	<u>\$ 3,794,602</u>	<u>\$ 3,441,341</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 365	\$ 77,004
Investments in segregated accounts. . . . .	12,354	-
Receivables:		
Accrued interest . . . . .	138	-
Accounts . . . . .	-	60
Total assets . . . . .	12,857	\$ 77,064
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 543
Loan . . . . .	-	1,003
Due to students . . . . .	-	75,518
Total liabilities . . . . .	-	\$ 77,064
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	12,857	
Total net assets . . . . .	\$ 12,857	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 572
Total additions. . . . .	572
<b>Deductions:</b>	
Scholarships awarded . . . . .	768
Change in net assets . . . . .	(196)
<b>Net assets at beginning of year . . . . .</b>	<b>13,053</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 12,857</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Crestwood Local School District (the "District") was formed in 1956 from a consolidation of the Mantua and Shalersville Township schools. In 1964, the Hiram township schools joined the District which currently covers seventy-five square miles.

The District operates under a locally elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board controls the District's four instructional/support facilities staffed by 122 non-certified employees and 173 certified full time teaching and support personnel who provide services to 2,290 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Stark-Portage Area Computer Consortium (SPARCC)

The District is a member of SPARCC. SPARCC is the computer service organization or Data Acquisition Site (DAS) used by the School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges and assessments as charged. A board made up of superintendents from all of the participating school districts governs SPARCC. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the general fund. During the fiscal year, the District contributed \$54,088 to SPARCC.

Portage County School Consortium (the "Consortium")

The District is a member of the Portage County School Consortium, a insurance group-purchasing consortium made up of thirteen districts in Portage County. All member districts pay an insurance premium directly to the Consortium. The District paid \$2,772,250 in the form of health care premiums to the Consortium during the fiscal year.

Maplewood Career Center (the "Center")

The Maplewood Career Center is located in Portage County and offers vocational training to the District's students in the 11<sup>th</sup> and 12<sup>th</sup> grades. Although the District is represented on the Board of Education of the Center by appointing a member to a 3-year term, any financial support of the Center is generated directly by the Center through a countywide tax levy and state-supported pupil basic aid. The District does not maintain an ongoing financial interest or an ongoing financial responsibility.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term principal, interest and related costs and; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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

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



**CRESTWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue in the fund financial statements.

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

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2008. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2008, investments were limited to certificates of deposit, overnight repurchase agreements, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

The District has invested funds in STAR Ohio during fiscal year 2008. 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 shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the Building capital projects fund, or certain trust funds individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$258,421, which includes \$101,146 assigned from other District funds.

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

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of 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.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings	30 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 20 years

**I. Interfund Balances**

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

**J. Compensated Absences**

GASB Statement No. 16, “Accounting for Compensated Absences”, specifies the method used to accrue liabilities for leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the 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 termination method. An accrual for earned sick leave is made to the extent that is probable that benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and compensated absences, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, property taxes unavailable for appropriation, textbooks, endowments and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes include amounts restricted by State statute for school bus purchases and textbooks.

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

**N. Estimates**

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

**O. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. Restricted assets also include monies received from the State that are restricted for school bus purchases and textbooks. Fund balances reserves have also been established (see Note 16).

**P. Interfund Activity**

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

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service fund	\$ 94,660
Athletics	4,969
Title VI-B	66,150
Title I/chapter 1	14,895
Improving teacher quality	13,346
Miscellaneous federal grants	446

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

**CRESTWOOD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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

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

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At fiscal year-end, the District had \$2,370 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents.”

**B. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$(58,553), exclusive of the \$8,370,850 repurchase agreement included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the District’s bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as “investments.” Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, \$100,022 of the District’s bank balance of \$238,856 was exposed to custodial risk as discussed below, while \$138,834 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment types</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase agreement	\$ 8,370,850	\$ 8,370,850
STAR Ohio	868	868
Total	<u>\$ 8,371,718</u>	<u>\$ 8,371,718</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. The federal agency securities that underlie the repurchase agreement, were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.



**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 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. Of the District's \$8,370,850 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. 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 that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment types</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 8,370,850	99.99
STAR Ohio	868	0.01
Total	<u>\$ 8,371,718</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (58,553)
Investments	8,371,718
Cash on hand	<u>2,370</u>
Total	<u>\$ 8,315,535</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 8,225,812
Private-purpose trust funds	12,719
Agency funds	<u>77,004</u>
Total	<u>\$ 8,315,535</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2008 as reported on the fund statements, consist of the following individual interfund receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 122,852

**CRESTWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008, are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

<u>Transfers to general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 459
 <u>Transfers to nonmajor governmental funds from:</u>	
General fund	6,901

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During the current fiscal year the uniform school supplies fund (a nonmajor governmental fund) transferred funds to the general fund to close out the fee balance.

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Portage 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$200,995 in the general fund, and the following nonmajor governmental funds; \$3,984 in the classroom facility maintenance special revenue fund, \$21,507 in the debt service fund and \$12,667 in the capital projects funds. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2007 was \$217,505 in the general fund, and the following nonmajor governmental funds; \$4,291 in the classroom facility maintenance special revenue fund, \$23,039 in the debt service fund, and \$13,612 in the capital projects funds.

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

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 292,527,770	94.63	\$ 293,195,980	95.58
Public utility personal	10,529,090	3.41	9,317,870	3.04
Tangible personal property	<u>6,073,619</u>	<u>1.96</u>	<u>4,239,268</u>	<u>1.38</u>
Total	<u>\$ 309,130,479</u>	<u>100.00</u>	<u>\$ 306,753,118</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$53.25		\$51.14	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, intergovernmental grants and entitlements, and loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities**

Taxes	\$ 7,901,113
Accounts	61,048
Intergovernmental	245,065
Accrued interest	256
Loans	<u>1,003</u>
Total	<u>\$ 8,208,485</u>

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

See Note 5 for interfund receivables.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2008</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,586,606	\$ -	\$ -	\$ 1,586,606
Total capital assets, not being depreciated	<u>1,586,606</u>	<u>-</u>	<u>-</u>	<u>1,586,606</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,134,673	63,846	-	1,198,519
Buildings	23,625,960	-	-	23,625,960
Furniture and equipment	3,158,594	79,883	-	3,238,477
Vehicles	<u>2,611,408</u>	<u>148,755</u>	<u>(162,166)</u>	<u>2,597,997</u>
Total capital assets, being depreciated	<u>30,530,635</u>	<u>292,484</u>	<u>(162,166)</u>	<u>30,660,953</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(17,131)	(30,716)	-	(47,847)
Building	(3,566,743)	(455,072)	-	(4,021,815)
Furniture and equipment	(1,917,666)	(91,217)	-	(2,008,883)
Vehicles	<u>(1,748,594)</u>	<u>(203,465)</u>	<u>155,504</u>	<u>(1,796,555)</u>
Total accumulated depreciation	<u>(7,250,134)</u>	<u>(780,470)</u>	<u>155,504</u>	<u>(7,875,100)</u>
Governmental activities capital assets, net	<u>\$ 24,867,107</u>	<u>\$ (487,986)</u>	<u>\$ (6,662)</u>	<u>\$ 24,372,459</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 405,305
Special	11,204
<u>Support services:</u>	
Pupil	14,806
Instructional staff	8,750
Administration	20,609
Fiscal	4,348
Operations and maintenance	24,602
Pupil transportation	209,107
Central	296
Operation of non-instructional	7,930
Extracurricular activities	71,445
Food service operations	<u>2,068</u>
Total depreciation expense	<u>\$ 780,470</u>

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into capitalized leases for the acquisition of copiers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets consisting of equipment have been capitalized in the amount of \$93,874. Accumulated depreciation on these assets was \$93,874, resulting in a carrying value of zero. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled \$675 paid by the general fund. In fiscal year 2008, the final payment was made on the capital lease.

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	Balance <u>June 30, 2007</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2008</u>	Amount Due in <u>One Year</u>
<u>General obligation bonds:</u>					
2001 School Improvements, 5.00%					
Serial and term bonds	\$ 6,650,110	\$ -	\$ (315,000)	\$ 6,335,110	\$ 330,000
Capital appreciation bonds	233,890	-	-	233,890	-
Accreted interest	251,791	61,828	-	313,619	-
2001 Site Acquisition, 5.00%					
Serial and term bonds	170,000	-	(10,000)	160,000	10,000
Capital appreciation bonds	5,000	-	-	5,000	-
Accreted interest	<u>5,707</u>	<u>1,401</u>	<u>-</u>	<u>7,108</u>	<u>-</u>
Total general obligation bonds	<u>7,316,498</u>	<u>63,229</u>	<u>(325,000)</u>	<u>7,054,727</u>	<u>340,000</u>
<u>Other Liabilities:</u>					
EPA asbestos removal loan	41,409	-	(6,901)	34,508	6,901
Compensated absences	874,139	220,093	(103,008)	991,224	69,368
Capital leases	<u>675</u>	<u>-</u>	<u>(675)</u>	<u>-</u>	<u>-</u>
Total other liabilities	<u>916,223</u>	<u>220,093</u>	<u>(110,584)</u>	<u>1,025,732</u>	<u>76,269</u>
Total	<u>\$ 8,232,721</u>	<u>\$ 283,322</u>	<u>\$ (435,584)</u>	<u>\$ 8,080,459</u>	<u>\$ 416,269</u>

Compensated absences will be paid from the fund from which the person is paid. In prior years, this has primarily been the general fund.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Early Retirement Incentive**

The District provides an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS Ohio) employees. Employees who enroll in the early retirement incentive plan must declare the intention to retire the last day of the first semester of the year in which they plan to retire and retire July 1 of the same year. The one time cash payment of \$10,000 shall be paid in two installments \$5,000 in the retiring calendar year and \$5,000 in the following calendar year. Five employees took advantage of the early retirement incentive in fiscal year 2008. These one-time cash payments will be made in July 2008 and January 2009. A liability for the early retirement incentive payments has been recorded in the fund financial statements and the statement of net assets.

- C. In fiscal year 2001, the District issued bonds for the site acquisition and construction of classroom facilities in the amount of \$210,000 and \$8,474,000, respectively. Each of the bond issues will mature on December 1, 2023. All bonds are general obligation bonds for which the full faith and credit of the District is pledged and will be paid from property taxes in the bond retirement debt service fund. Both bond issues include serial, term and capital appreciation bonds. Current year additions amounted to \$56,082 which represents the accretion of discounted interest. The final maturity amounts of the classroom facilities and site acquisition capital appreciation bonds will be \$695,000 and \$15,000, respectively.

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

Fiscal Year Ending June 30.	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 340,000	\$ 306,662	\$ 646,662	\$ -	\$ -	\$ -
2010	-	299,607	299,607	126,600	228,400	355,000
2011	-	299,607	299,607	112,290	242,710	355,000
2012	355,000	291,709	646,709	-	-	-
2013	370,000	275,392	645,392	-	-	-
2014 - 2018	2,125,000	1,093,341	3,218,341	-	-	-
2019 - 2023	2,685,000	503,875	3,188,875	-	-	-
2024	620,110	15,500	635,610	-	-	-
Total	<u>\$ 6,495,110</u>	<u>\$ 3,085,693</u>	<u>\$ 9,580,803</u>	<u>\$ 238,890</u>	<u>\$ 471,110</u>	<u>\$ 710,000</u>

**CRESTWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

- D.** In fiscal year 1994, the District obtained an EPA Asbestos loan in the amount of \$124,221 in order to undertake an asbestos abatement project. The EPA Asbestos loan will be paid from property taxes, receipted into the general fund and subsequently transferred to the bond retirement debt service fund and will mature on May 1, 2013.

Fiscal Year Ending June 30.	EPA Asbestos Removal Loan	
	Principal	Total
2009	\$ 6,901	\$ 6,901
2010	6,901	6,901
2011	6,901	6,901
2012	6,901	6,901
2013	6,904	6,904
Total	\$ 34,508	\$ 34,508

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$20,997,298 (including available funds of \$507,289) and an unvoted debt margin of \$302,489.

**NOTE 11 - RISK MANAGEMENT**

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. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past four years.

**A. Property and Liability**

The District is a member of the Portage County School Consortium (the "Consortium") for health insurance for the District's employees. The Consortium was established in 1981 so that thirteen educational-service providers in Portage County could manage risk exposures and purchase necessary insurance coverage as a group. The Consortium is organized into two distinct entities to facilitate its risk management operations. The Property and Casualty Insurance Pool functions to manage the member districts' physical property and liability risks. The Health and Welfare Trust is to facilitate the management of risks associated with providing employee benefits, coverage such as health and accident insurance, disability insurance and life insurance. The District participates both in the Health and Welfare Trust and Property and Casualty Insurance Pool of the Consortium. The Consortium retains a third-party administrator to facilitate the operation of the Health and Welfare Trust.



**CRESTWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

The District pays all insurance premiums directly to the Consortium. Although the District does not participate in the day-to-day management of the Consortium, one of its administrators serves as a trustee of the Consortium's governing board as provided in the consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the Consortium become depleted, it is the opinion of management that the assets of the Consortium are sufficient to meet its claims.

As part of the Property and Casualty Insurance Pool, the District contracted with Indiana Insurance for property, employee bonding, and for general liability insurance during fiscal year 2008.

**B. Workers' Compensation**

The District is a member of the Ohio School Boards Association (OSBA) Worker's Compensation Group Rating Program established in April 1991. The program was created by the OSBA as a result of the Worker's Compensation group rating plan as defined in Section 4123.29 of the Ohio Revised Code. The group rating program allows districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - 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 Chapter 3309 of the Ohio Revised Code. SERS 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 School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - 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 District rate is 14 percent of 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 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$287,108, \$297,986 and \$326,441, respectively; 43.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 12 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. 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 recommendations 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 STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,221,655, \$1,209,825 and \$1,257,375, respectively; 83.50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$13,213 made by the District and \$12,608 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$175,245, \$158,263 and \$158,601, respectively; 43.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$20,687, \$20,263 and \$25,982, respectively; 43.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$93,973, \$93,063 and \$96,721, respectively; 83.50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

<b>Net Change in Fund Balance</b>	
	<u>General fund</u>
Budget basis	\$ 254,081
Net adjustment for revenue accruals	(44,024)
Net adjustment for expenditure accruals	(120,200)
Net adjustment for other sources/uses	17,317
Adjustment for encumbrances	<u>466,304</u>
GAAP basis	<u>\$ 573,478</u>

**CRESTWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2008.

**B. Litigation**

The District is a party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

**NOTE 16 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2007	\$ 202,307	\$ -
Current year set-aside requirement	383,934	383,934
Current year offsets	-	(454,461)
Qualifying disbursements	<u>(465,665)</u>	<u>-</u>
Total	<u>\$ 120,576</u>	<u>\$ (70,527)</u>
Balance carried forward to FY 2009	<u>\$ 120,576</u>	<u>\$ -</u>

The District did not have enough qualifying disbursements to reduce the set-aside amount below zero for the textbooks/instructional materials. Restricted cash fund balance and a reservation of fund balance has been established in the general fund of \$120,576.

The District had enough qualifying expenditures to reduce the set-aside amount below zero for the capital acquisition reserve, however this amount may not be carried forward to future years.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases. The balance in the monies restricted for school bus purchases was \$6,862 at June 30, 2008. This balance is reported as restricted equity in pooled cash and reserved fund balance.

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PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 16 - STATUTORY RESERVES - (Continued)**

A schedule of the restricted assets at June 30, 2008 follows:

Amounts restricted for textbooks	\$ 120,576
Amounts restricted for bus purchase	<u>6,862</u>
Total restricted assets	<u>\$ 127,438</u>

**NOTE 17 - CONTRACTUAL COMMITMENTS**

As of June 30, 2008, the District had the following contractual commitments outstanding related to the Ohio School Facilities Commission project. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2008</u>	<u>Remaining Contract Amount</u>
A&B Mechanical, Inc.	\$ <u>2,305,097</u>	\$ <u>2,057,501</u>	\$ <u>247,596</u>
Total	\$ <u>2,305,097</u>	\$ <u>2,057,501</u>	\$ <u>247,596</u>

# **Crestwood Local School District**

\* \* \* \*

*Report Letters*

***June 30, 2008***

**CRESTWOOD LOCAL SCHOOL DISTRICT**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 30, 2008

To the Board of Education  
Crestwood Local School District  
4565 West Prospect St.  
Mantua, Ohio 44255

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Crestwood Local School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crestwood Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we identified an internal control matter we reported to the management of Crestwood Local School District in a separate letter dated December 30, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crestwood Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Rea & Associates, Inc.*



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 30, 2008

The Board of Education  
Crestwood Local School District  
4565 West Prospect Street  
Mantua, Ohio 44255

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

### **Compliance**

We have audited the compliance of the Crestwood Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Crestwood Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Crestwood Local School District's management. Our responsibility is to express an opinion on Crestwood Local School 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 Circulars A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Crestwood Local School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Crestwood Local School District's compliance with those requirements.

In our opinion, Crestwood Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

### **Internal Control Over Compliance**

The management of the Crestwood Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Crestwood Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Crestwood Local School Districts' internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestwood Local School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 30, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements of the Crestwood Local School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

*Rea & Associates, Inc.*

**CRESTWOOD LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Program Year	Federal Receipts	Federal Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>				
Title I	84.010	2007	20,782	18,411
Title I	84.010	2008	111,359	113,315
Title I	84.010	2007	5,732	(64)
Title I	84.010	2008	66,239	66,239
Total Title I			<u>204,112</u>	<u>197,901</u>
Special Education Cluster:				
IDEA-B	84.027	2007	132,232	95,820
IDEA-B	84.027	2008	409,055	418,214
Total IDEA-B			<u>541,287</u>	<u>514,034</u>
Total Special Education Cluster			<u>541,287</u>	<u>514,034</u>
Title IV-A Safe and Drug-Free Schools	84.186	2007	3,764	2,757
Title IV-A Safe and Drug-Free Schools	84.186	2008	5,721	6,293
Total Safe and Drug-Free Schools and Communities			<u>9,485</u>	<u>9,050</u>
Title V Innov	84.298	2008	2,817	2,745
Total Title V			<u>2,817</u>	<u>2,745</u>
Title II-D Technology	84.318	2007	821	1,394
Title II-D Technology	84.318	2008	1,188	1,635
Total Title II-D			<u>2,009</u>	<u>3,029</u>
Title II-A	84.367	2007	18,636	15,233
Title II-A	84.367	2008	71,307	72,209
Total Title II-A			<u>89,943</u>	<u>87,442</u>
Total Department of Education			<u>849,653</u>	<u>814,201</u>
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program (A) (B)	10.555		32,404	32,404
Cash Assistance:				
National School Lunch Program (B)	10.555		178,053	178,053
Total Nutrition Cluster			<u>210,457</u>	<u>210,457</u>
Total Department of Agriculture			<u>210,457</u>	<u>210,457</u>
Total Federal Assistance			<u>1,060,110</u>	<u>1,024,658</u>

(A) Government commodities are reported at the entitlement value of the commodities received and disbursed.

(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**CRESTWOOD LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , Section .505  
JUNE 30, 2008**

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

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Special Education Cluster #84.027 & 84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted.



**Mary Taylor, CPA**  
Auditor of State

**CRESTWOOD LOCAL SCHOOL DISTRICT**  
**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**FEBRUARY 26, 2009**