

**Crestwood Local School District**  
*Audited Financial Statements*  
*June 30, 2011*





# Dave Yost • Auditor of State

Board of Education  
Crestwood Local School District  
4565 West Prospect Street  
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, 2010 through June 30, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 3, 2012

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**CRESTWOOD LOCAL SCHOOL DISTRICT**

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**CRESTWOOD LOCAL SCHOOL DISTRICT**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

November 29, 2011

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, Portage County, Ohio (the School District) as of and for the year ended June 30, 2011, 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 Crestwood Local School District, Portage County, Ohio as of June 30, 2011, and the respective changes in financial position and the respective budgetary comparisons for the general fund and classroom facilities maintenance 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 November 29, 2011 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.

The Management's Discussion and Analysis on pages 3 through 11 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Rea & Associates, Inc.*



**Crestwood Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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The management's discussion and analysis of the Crestwood Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key Financial Highlights for 2011 are as follows:

- In total, net assets of governmental activities decreased \$1,491,079 which represents 6.45% decrease from 2010.
- General revenues accounted for \$18,975,612 in revenue or 82.02% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$4,159,746 or 17.98% of total revenues of \$23,135,358.
- The School District had \$24,626,437 in expenses related to governmental activities; only \$4,159,747 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 \$18,975,611 were not adequate to provide for these programs.
- The School District's major governmental funds are the general fund and the classroom facilities maintenance special revenue fund. The general fund and the classroom facilities maintenance special revenue fund had \$18,679,636 and \$201,779 in revenues and (other financing sources) and \$19,457,408 and \$7,222 in expenditures and (other financing uses) respectively. During fiscal year 2011, the general fund's fund balance decreased and the classroom facilities maintenance special revenue fund's fund balance increased by \$777,772 and \$194,557, respectively.

***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 School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole district, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements 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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of the School District, the general fund and the classroom facilities maintenance special revenue fund are by far the most significant funds and the only governmental funds reported as major funds.

**Crestwood Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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***Reporting the School 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities*, excluding fiduciary funds, using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District activities, the governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations

The School District's statement of net assets and statement of activities can be found on pages 12-13 of this report.

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

*Fund Financial Statements*

The analysis of the School District's major governmental fund begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the classroom facilities maintenance special revenue fund.

**Governmental Funds** - Most of the School 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 that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School 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 financial statements. The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

**Crestwood Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

**Fiduciary Funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

The fiduciary fund financial statements begin on page 20.

**Notes to the 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. The notes to the financial statements begin on page 22.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2011	Restated 2010
<b>Assets</b>		
Current and Other Assets	\$ 16,164,308	\$ 16,715,875
Capital Assets	23,463,794	23,379,139
Total Assets	39,628,102	40,095,014
<b>Liabilities</b>		
Current Liabilities	9,485,397	8,471,053
Long-Term Liabilities	8,532,194	8,522,371
Total Liabilities	18,017,591	16,993,424
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	17,294,989	17,091,033
Restricted	4,249,200	4,937,033
Unrestricted	66,322	1,073,524
Total Net Assets	\$ 21,610,511	\$ 23,101,590

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the School District's assets exceeded liabilities by \$21,610,511. Deferred revenue increased by \$916,658. This increase is based on the amount available for advance of property taxes as of June 30 (see Note 6).

**Crestwood Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2011

At year-end, capital assets represented 59.21% 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, 2011, were \$17,294,989. These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$4,249,200, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$66,322 may be used to meet the School District's ongoing obligations to the students and creditors.

Table 2 shows the changes in net assets for fiscal year 2011 compared to 2010.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities	
	2011	Restated 2010
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 1,759,714	\$ 1,953,739
Operating Grants, Contributions and Interest	2,298,968	1,831,880
Capital Grants and Contributions	101,064	99,081
<i>General Revenues:</i>		
Property Taxes	5,695,488	7,463,413
Grants and Entitlements, Not Restricted	13,008,047	13,226,049
Investment earnings	17,855	24,621
Other	254,222	81,194
<b>Total Revenues</b>	<b>23,135,358</b>	<b>24,679,977</b>
<b>Program Expenses</b>		
Instruction	13,469,161	12,910,848
Support Services	9,625,097	9,618,349
Operations of non-instructional services	26,815	91,494
Extracurricular Activities	563,074	577,741
Interest and Fiscal Charges	320,119	370,646
Food Services	622,171	571,991
Refund to Grantor Agency	0	298,516
<b>Total Expenses</b>	<b>24,626,437</b>	<b>24,439,585</b>
Change in Net Assets	(1,491,079)	240,392
Net assets at beginning of year	23,101,590	22,861,198
Net assets at end of year	<u>\$ 21,610,511</u>	<u>\$ 23,101,590</u>

**Crestwood Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

**Governmental Activities**

Net assets of the School District's governmental activities decreased \$1,491,079. The main cause for this decrease is the loss in property tax revenue based on the amount available for advance of property taxes as of June 30 (see Note 6). Total governmental expenses of \$24,626,437 were offset by program revenues of \$4,159,746 and general revenues of \$18,975,612. Program revenues supported 16.89% 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 80.84% of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the School District is for instructional programs. Instruction expenses totaled \$13,469,161, or 54.69% of total governmental expenses for fiscal year 2011.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements.

**(Table 3)**  
**Governmental Activities**

	2011		2010	
	Total Cost of Service	Net Cost of Service	Restated Total Cost of Service	Restated Net Cost of Service
Instruction	\$ 13,469,161	\$ 10,402,280	\$ 12,910,848	\$ 10,120,717
Support Services:				
Pupil and Instructional Staff	2,110,664	2,044,943	2,188,262	2,188,262
Board of Education, Administration and Fiscal	2,836,654	2,778,624	2,868,786	2,806,550
Business	43,154	43,154	22,397	22,397
Operation and Maintenance of Plant	2,240,467	2,240,467	2,202,105	2,045,384
Pupil Transportation	1,787,163	1,640,104	1,669,034	1,631,928
Central	606,995	597,809	667,765	653,620
Food service operations	622,171	31,910	571,991	3,457
Operation of Non-Instructional	26,815	26,815	91,494	31,640
Extracurricular Activities	563,074	340,466	577,741	381,768
Interest Charges	320,119	320,119	370,646	370,646
Refund to Grantor Agency	0	0	298,516	298,516
<b>Total</b>	<b>\$ 24,626,437</b>	<b>\$ 20,466,691</b>	<b>\$ 24,439,585</b>	<b>\$ 20,554,885</b>

The dependence upon tax revenues and general revenue entitlements from the State for governmental activities is apparent. The community, as a whole, is the primary support for Crestwood Local School District students.

**Crestwood Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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***The School District's Funds***

Information about the School District's governmental funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$29,541,812 (including other financing sources) and expenditures of \$30,987,743 (including other financing uses). All governmental funds reported a combined fund balance of \$5,775,065, which is lower than last year's total of \$7,220,996. Expenditures remained basically consistent for all funds; however, the general fund recognized a decrease in property tax revenue based on taxes available as an advance. Within other governmental funds, the permanent improvement fund had a decrease in fund balance of \$612,105 due to the timing of project expenditures vs. timing of revenue recognition. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance 2011	Restated Fund Balance 2010	Increase/ (Decrease)
General	\$ 2,335,070	\$ 3,112,842	\$ (777,772)
Classroom Facilities Maintenance	2,350,044	2,155,487	194,557
Other Governmental Funds	1,089,951	1,952,667	(862,716)
 Total	 \$ 5,775,065	 \$ 7,220,996	 \$ (1,445,931)

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2011, there were changes to the School District's total general fund budget. The School District uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue of \$20,037,615 (including other financing sources) showed a \$50,404 increase from the original budget estimates. The School District begins the fiscal year with a temporary budget. This is updated in September with Board approval of the permanent appropriations. Budget adjustments are made throughout the year as updated information becomes available.

Actual revenues (including other financing sources) of \$19,630,300 were \$407,315 less than the final budgeted amounts.

Actual expenditures (including other financing uses) of \$20,335,498 were \$4,019,234 lower than the \$24,354,732 in the final budget. The major area of this decrease was in regular instruction.

**Crestwood Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2011, the School District had \$23,463,794 invested in land, land improvements, buildings, furniture and equipment, and vehicles. The entire amount is reported in governmental activities. Table 4 shows fiscal year 2011 balances compared to 2010:

**(Table 4)**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2011	2010
Land	\$ 1,546,347	\$ 1,586,606
Land Improvements	1,073,567	1,105,167
Buildings	18,627,057	18,626,558
Furniture and Equipment	1,208,331	1,209,036
Vehicles	1,008,492	851,772
Totals	<u>\$ 23,463,794</u>	<u>\$ 23,379,139</u>

The overall increase in capital assets of \$84,655 is due to capital outlays of \$989,534 exceeding depreciation expense of \$791,159 and net disposals of \$113,720.

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

House Bill 345 requires the School District to set aside \$171.96 per pupil in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2011, this amounted to \$319,163 for each set aside. The School District had qualifying disbursements or offsets exceeding these requirements for capital improvements. At June 30, 2011, the School District was required to set aside \$396,748 for the purchase of textbooks and instructional materials. More detailed information is presented in Note 15.

**Crestwood Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

**Debt**

At June 30, 2011, the School District had \$6,271,258 in general obligation bonds outstanding with \$13,805 in EPA asbestos loan outstanding. Of this total, \$361,901 is due within one year and \$5,923,162 is due in more than one year. Table 5 summarizes bonds outstanding. See Note 9 for additional details on the School District's long-term obligations.

**(Table 5)**  
**Outstanding Debt, at June 30**

	2011	2010
General Obligation Bonds and Related Activities	\$ 6,271,258	\$ 6,489,449
EPA Asbestos Loan	13,805	20,706
	\$ 6,285,063	\$ 6,510,155

On March 30, 2011, the School District issued \$5,799,978 in voted general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$5,760,000 and \$39,978, respectively. The bonds advance refunded \$5,660,000 of outstanding 2001 Classroom Facilities General Obligation Bonds and \$140,000 of outstanding 2001 Site Acquisition General Obligation Bonds. The bonds were issued for a nineteen year period with final maturities at December 31, 2024.

The bonds were issued with a premium of \$248,795, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The issuance costs of \$113,264 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$135,509. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method.

In fiscal year 2001, the School 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 School District is pledged and will be paid from property taxes in the debt service fund. Both bond issues include serial, term and capital appreciation bonds. Current year additions amounted to \$20,661 which represents the accretion of discounted interest.

In fiscal year 1994, the School 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 debt service fund and will mature on May 1, 2013.



**Crestwood Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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***Current Financial Related Activities***

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

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

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

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any 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.

**Crestwood Local School District**

*Statement of Net Assets*

*June 30, 2011*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 8,201,751
Cash and Cash Equivalents in Segregated Accounts	27,899
Receivables:	
Taxes	7,089,961
Accounts	15,775
Intergovernmental	648,988
Inventory Held For Resale	47,019
Materials and Supplies Inventory	21,829
Deferred Charges	111,086
Nondepreciable Capital Assets	1,546,347
Depreciable Capital Assets, Net	<u>21,917,447</u>
 <i>Total Assets</i>	 <u>39,628,102</u>
 <b>Liabilities</b>	
Accounts Payable	115,005
Accrued Wages and Benefits	2,456,371
Intergovernmental Payable	727,907
Deferred Revenue	6,166,358
Accrued Interest Payable	19,756
Long Term Liabilities:	
Due Within One Year	702,904
Due In More Than One Year	<u>7,829,290</u>
 <i>Total Liabilities</i>	 <u>18,017,591</u>
 <b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	17,294,989
Restricted for:	
Capital Projects	893,732
Debt Service	502,151
Set Asides	396,748
Classroom Facilities Maintenance	2,355,925
State Funded Programs	1,300
Federally Funded Programs	52,993
Perpetual Care:	
Expendable	4,020
Nonexpendable	27,899
Other Purposes	14,432
Unrestricted	<u>66,322</u>
 <i>Total Net Assets</i>	 <u>\$ 21,610,511</u>

See accompanying notes to the basic financial statements.

**Crestwood Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grant, Contributions and Interest	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 9,781,099	\$ 843,191	\$ 714,647	\$ 0	\$ (8,223,261)
Special	2,282,729	400,617	954,751	0	(927,361)
Vocational	181,858	549	103,401	0	(77,908)
Adult Continuing	214	1,425	0	0	1,211
Student Intervention Services	163,453	0	48,300	0	(115,153)
Other	1,059,808	0	0	0	(1,059,808)
Support Services:					
Pupils	982,859	0	43,212	0	(939,647)
Instructional Staff	1,127,805	0	22,509	0	(1,105,296)
Board of Education	19,635	0	0	0	(19,635)
Administration	2,278,657	0	0	0	(2,278,657)
Fiscal	538,362	0	58,030	0	(480,332)
Business	43,154	0	0	0	(43,154)
Operation and Maintenance of Plant	2,240,467	0	0	0	(2,240,467)
Pupil Transportation	1,787,163	0	46,315	100,744	(1,640,104)
Central	606,995	0	9,186	0	(597,809)
Operation of Non-instructional Services:					
Food Service Operations	622,171	312,494	277,767	0	(31,910)
Community Service Operations	26,815	0	0	0	(26,815)
Extracurricular Activities	563,074	201,438	20,850	320	(340,466)
Interest and Fiscal Charges	320,119	0	0	0	(320,119)
<i>Total Governmental Activities</i>	<u>\$ 24,626,437</u>	<u>\$ 1,759,714</u>	<u>\$ 2,298,968</u>	<u>\$ 101,064</u>	<u>(20,466,691)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					4,796,233
Debt Service					489,721
Capital Outlay					316,124
Other Purposes					93,410
Grants and Entitlements not Restricted to Specific Programs					13,008,047
Investment Earnings					17,855
Miscellaneous					254,222
<i>Total General Revenues</i>					<u>18,975,612</u>
Change in Net Assets					(1,491,079)
<i>Net Assets Beginning of Year - Restated (see Note 16)</i>					<u>23,101,590</u>
<i>Net Assets End of Year</i>					<u>\$ 21,610,511</u>

See accompanying notes to the basic financial statements.

**Crestwood Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2011*

	General	Classroom Facilities Maintenance	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,990,498	\$ 2,340,868	\$ 1,473,637	\$ 7,805,003
Restricted Cash and Cash Equivalents	396,748	0	0	396,748
Cash and Cash Equivalents in Segregated Accounts	0	0	27,899	27,899
Receivables:				
Taxes	5,982,581	114,555	992,825	7,089,961
Accounts	13,269	0	2,506	15,775
Interfund	88,859	0	0	88,859
Intergovernmental	360,918	0	288,070	648,988
Inventory Held For Resale	0	0	47,019	47,019
Materials and Supplies Inventory	19,462	0	2,367	21,829
<i>Total Assets</i>	<u>\$ 10,852,335</u>	<u>\$ 2,455,423</u>	<u>\$ 2,834,323</u>	<u>\$ 16,142,081</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 106,560	\$ 0	\$ 8,445	\$ 115,005
Accrued Wages and Benefits	1,896,537	0	559,834	2,456,371
Interfund Payable	0	0	88,859	88,859
Intergovernmental Payable	629,337	0	98,570	727,907
Deferred Revenue	5,884,831	105,379	988,664	6,978,874
<i>Total Liabilities</i>	<u>8,517,265</u>	<u>105,379</u>	<u>1,744,372</u>	<u>10,367,016</u>
<b>Fund Balances</b>				
Nonspendable	19,462	0	79,666	99,128
Restricted	396,748	2,350,044	1,366,531	4,113,323
Assigned	472,388	0	0	472,388
Unassigned	1,446,472	0	(356,246)	1,090,226
<i>Total Fund Balances</i>	<u>2,335,070</u>	<u>2,350,044</u>	<u>1,089,951</u>	<u>5,775,065</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 10,852,335</u>	<u>\$ 2,455,423</u>	<u>\$ 2,834,323</u>	<u>\$ 16,142,081</u>

See accompanying notes to the basic financial statements.

**Crestwood Local School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2011*

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<b>Total Governmental Fund Balances</b>	\$	5,775,065
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*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,463,794
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Grants	\$	434,878
Delinquent Property Taxes		<u>377,638</u>

Total		812,516
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In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		111,086
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In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.		(19,756)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds		(6,115,000)
Abestos Removal Loan		(13,805)
Capital Appreciation Bonds		(39,978)
Bond Accretion		(5,172)
Unamortized Bond Premium		(244,011)
Refunding Loss		132,903
Early Retirement Incentive		(740,667)
Compensated Absences		<u>(1,506,464)</u>

Total		<u>(8,532,194)</u>
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<i>Net Assets of Governmental Activities</i>	\$	<u><u>21,610,511</u></u>
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See accompanying notes to the basic financial statements.

**Crestwood Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 4,815,915	\$ 93,750	\$ 809,293	\$ 5,718,958
Intergovernmental	12,194,274	58,029	3,333,349	15,585,652
Investment Income	17,855	0	716	18,571
Tuition and Fees	1,195,438	0	0	1,195,438
Extracurricular Activities	171,295	0	81,277	252,572
Rentals	3,540	0	0	3,540
Charges for Services	549	0	312,494	313,043
Contributions and Donations	26,451	0	3,188	29,639
Miscellaneous	248,716	0	5,506	254,222
<i>Total Revenues</i>	<u>18,674,033</u>	<u>151,779</u>	<u>4,545,823</u>	<u>23,371,635</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,209,237	0	1,722,560	8,931,797
Special	1,441,924	0	770,092	2,212,016
Vocational	219,914	0	0	219,914
Adult Continuing	214	0	0	214
Student Intervention Services	107,147	0	56,306	163,453
Other	1,111,672	0	29,201	1,140,873
Support Services:				
Pupils	872,876	0	123,571	996,447
Instructional Staff	950,352	0	160,984	1,111,336
Board of Education	19,635	0	0	19,635
Administration	2,274,922	0	72,539	2,347,461
Fiscal	441,836	6,762	12,917	461,515
Business	43,154	0	0	43,154
Operation and Maintenance of Plant	2,143,162	460	28,879	2,172,501
Pupil Transportation	1,520,171	0	318,077	1,838,248
Central	568,673	0	34,927	603,600
Operation of Non-instructional Services:				
Food Service Operations	0	0	622,565	622,565
Community Service Operations	0	0	4,440	4,440
Extracurricular Activities	445,862	0	102,407	548,269
Capital Outlay	20,856	0	703,367	724,223
Debt Service:				
Principal Retirement	0	0	119,301	119,301
Interest and Fiscal Charges	0	0	542,207	542,207
Issuance Costs	0	0	113,264	113,264
<i>Total Expenditures</i>	<u>19,391,607</u>	<u>7,222</u>	<u>5,537,604</u>	<u>24,936,433</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(717,574)</u>	<u>144,557</u>	<u>(991,781)</u>	<u>(1,564,798)</u>
<b>Other Financing Sources and Uses</b>				
Refunding Bonds Issued	0	0	5,799,978	5,799,978
Premium on Refunding Bonds Issued	0	0	248,795	248,795
Payment to Refunded Bond Escrow Agent	0	0	(5,935,509)	(5,935,509)
Transfers In	0	50,000	65,801	115,801
Transfers Out	(65,801)	0	(50,000)	(115,801)
Proceeds from Sale of Capital Assets	5,603	0	0	5,603
<i>Total Other Financing Sources and Uses</i>	<u>(60,198)</u>	<u>50,000</u>	<u>129,065</u>	<u>118,867</u>
<i>Net Change in Fund Balances</i>	<u>(777,772)</u>	<u>194,557</u>	<u>(862,716)</u>	<u>(1,445,931)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 16)</i>	<u>3,112,842</u>	<u>2,155,487</u>	<u>1,952,667</u>	<u>7,220,996</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,335,070</u>	<u>\$ 2,350,044</u>	<u>\$ 1,089,951</u>	<u>\$ 5,775,065</u>

See accompanying notes to the basic financial statements.

**Crestwood Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (1,445,931)

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

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital Asset Additions	\$ 989,534	
Current Year Depreciation	<u>(791,159)</u>	198,375

Net effect of transactions involving sale of capital assets are not reflected in the funds. (113,720)

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

Grants	(212,807)	
Delinquent Property Taxes	<u>(23,470)</u>	(236,277)

Repayment of bond principal and accreted interest on capital appreciation bonds are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Asbestos Loan Principal	6,901	
Bond Principal Paid to Refunded Bond Escrow Agent	5,800,110	
Capital Appreciation Bonds Principal	112,290	
Accreted Interest	<u>242,710</u>	6,162,011

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The governmental funds report the effects of premiums and issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Accrued Interest	5,211	
Accretion on Capital Appreciation Bonds	(25,833)	
Refunding Loss Amortization	135,509	
Bond Premium Amortization	<u>(248,795)</u>	(133,908)

In statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued. 113,264

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.

Proceeds from General Obligation Bonds Issued		(5,799,978)
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Some expenses reported in the statement of activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(124,248)	
Early Retirement Incentive	<u>(110,667)</u>	<u>(234,915)</u>

*Change in Net Assets of Governmental Activities* \$ (1,491,079)

See accompanying notes to the basic financial statements.

**Crestwood Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,642,651	\$ 5,656,880	\$ 5,541,890	\$ (114,990)
Intergovernmental	12,415,986	12,447,297	12,194,274	(253,023)
Investment Income	18,180	18,225	17,855	(370)
Tuition and Fees	1,117,112	1,119,929	1,097,164	(22,765)
Rent	3,604	3,613	3,540	(73)
Extracurricular Activities	135,044	135,385	132,633	(2,752)
Gifts and Donations	9,351	9,375	9,184	(191)
Charges for Services	559	560	549	(11)
Miscellaneous	29,843	29,918	29,310	(608)
<i>Total Revenues</i>	<u>19,372,330</u>	<u>19,421,182</u>	<u>19,026,399</u>	<u>(394,783)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,266,839	9,084,633	7,380,972	1,703,661
Special	1,783,622	1,748,542	1,421,048	327,494
Vocational	259,122	254,059	205,094	48,965
Adult/Continuing	256	251	202	49
Student Intervention Services	135,668	133,023	107,147	25,876
Other	1,434,149	1,404,724	1,191,972	212,752
Support Services:				
Pupils	1,100,008	1,078,290	879,780	198,510
Instructional Staff	1,130,679	1,108,481	899,231	209,250
Board of Education	24,208	23,723	19,672	4,051
Administration	2,903,576	2,846,067	2,329,625	516,442
Fiscal	553,359	542,501	439,876	102,625
Business	54,641	53,576	43,154	10,422
Operation and Maintenance of Plant	2,559,670	2,499,952	2,419,118	80,834
Pupil Transportation	1,844,971	1,808,041	1,495,973	312,068
Central	679,561	664,428	613,031	51,397
Extracurricular Activities	483,133	473,714	381,566	92,148
Capital Outlay	26,408	25,892	20,856	5,036
<i>Total Expenditures</i>	<u>24,239,870</u>	<u>23,749,897</u>	<u>19,848,317</u>	<u>3,901,580</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(4,867,540)</u>	<u>(4,328,715)</u>	<u>(821,918)</u>	<u>3,506,797</u>
<b>Other Financing Sources and Uses</b>				
Proceeds from Sale of Capital Assets	5,705	5,720	5,603	(117)
Advances In	415,369	416,417	407,952	(8,465)
Refund of Prior Year Expenditures	193,807	194,296	190,346	(3,950)
Transfers Out	(83,316)	(81,692)	(65,801)	15,891
Advance Out	(533,545)	(523,143)	(421,380)	101,763
<i>Total Other Financing Sources and Uses</i>	<u>(1,980)</u>	<u>11,598</u>	<u>116,720</u>	<u>105,122</u>
<i>Net Change in Fund Balance</i>	<u>(4,869,520)</u>	<u>(4,317,117)</u>	<u>(705,198)</u>	<u>3,611,919</u>
<i>Fund Balance Beginning of Year</i>	<u>3,597,527</u>	<u>3,597,527</u>	<u>3,597,527</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>891,779</u>	<u>891,779</u>	<u>891,779</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ (380,214)</u>	<u>\$ 172,189</u>	<u>\$ 3,784,108</u>	<u>\$ 3,611,919</u>

See accompanying notes to the basic financial statements.



**Crestwood Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 Classroom Facilities Maintenance Fund  
 For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 81,033	\$ 81,105	\$ 108,226	\$ 27,121
Intergovernmental	43,633	43,672	58,029	14,357
<i>Total Revenues</i>	<u>124,666</u>	<u>124,777</u>	<u>166,255</u>	<u>41,478</u>
<b>Expenditures</b>				
Current:				
Support Services:				
Fiscal	1,855,671	1,837,964	6,762	1,831,202
Operation and Maintenance of Plant	380,077	376,450	31,960	344,490
<i>Total Expenditures</i>	<u>2,235,748</u>	<u>2,214,414</u>	<u>38,722</u>	<u>2,175,692</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,111,082)</u>	<u>(2,089,637)</u>	<u>127,533</u>	<u>2,217,170</u>
<b>Other Financing Sources</b>				
Transfers In	0	0	50,000	50,000
<i>Net Change in Fund Balance</i>	(2,111,082)	(2,089,637)	177,533	2,267,170
<i>Fund Balance Beginning of Year</i>	<u>2,131,835</u>	<u>2,131,835</u>	<u>2,131,835</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 20,753</u>	<u>\$ 42,198</u>	<u>\$ 2,309,368</u>	<u>\$ 2,267,170</u>

See accompanying notes to the basic financial statements.

**Crestwood Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

	Private Purpose Trust	
	Scholarships	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 3,485	\$ 70,180
Cash and Cash Equivalents in Segregated Accounts	16,882	0
Accounts Receivable	0	69
<i>Total Assets</i>	20,367	\$ 70,249
 <b>Liabilities</b>		
Accounts Payable	0	1,968
Due to Students	0	68,281
<i>Total Liabilities</i>	0	\$ 70,249
 <b>Net Assets</b>		
Held in Trust for Scholarships	\$ 20,367	

See accompanying notes to the basic financial statements.

**Crestwood Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2011*

	Private Purpose Trust
	Scholarships
<b>Additions</b>	
Interest	\$ 379
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	300
<i>Change in Net Assets</i>	79
<i>Net Assets Beginning of Year - Restated (See Note 16)</i>	20,288
<i>Net Assets End of Year</i>	\$ 20,367

See accompanying notes to the basic financial statements.

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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

The School 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 School District’s four instructional/support facilities staffed by 106 non-certified employees and 158 certified full time teaching and support personnel who provide services to 2,201 students and other community members.

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

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School 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 FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The most significant of the School District’s accounting policies are shown 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 and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the School District has no component units. The basic financial statements of the reporting entity include only those of the School District (the primary government).

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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

***JOINTLY GOVERNED ORGANIZATIONS***

Stark-Portage Area Computer Consortium (SPARCC)

The School 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 School 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 School District contributed \$93,908 to SPARCC.

Portage County School Consortium (the “Consortium”)

The School District is a member of the Portage County School Consortium, an insurance group-purchasing consortium made up of thirteen districts in Portage County. All member districts pay an insurance premium directly to the Consortium. The School District paid \$2,475,774 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 School District’s students in the 11<sup>th</sup> and 12<sup>th</sup> grades. Although the School District is represented on the Board of Education of the Center by appointing a member to a three-year term, any financial support of the Center is generated directly the Center through a county-wide tax levy and state-supported pupil basic aid. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility.

***B. Fund Accounting***

The School 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 School 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 School District’s major governmental funds:

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

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

***Classroom Facilities Maintenance Fund*** The classroom facilities special revenue fund accounts for monies received from a special levy for maintenance of facilities.

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

***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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District'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 does 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 School 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 School 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 School 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 School District are included on the statement of net assets.

***Fund Financial Statements*** Fund financial statements report detailed information about the School 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.

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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.

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 School District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2011, have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The 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 and 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 of estimated resources issued during fiscal year 2011. 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 re-appropriated.

***F. Cash and Cash Equivalents***

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



**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

During fiscal year 2011, the School District investments were limited to non-negotiable certificates of deposit and overnight repurchase agreements. 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 non-negotiable certificates of deposit are reported at cost.

Under existing Ohio statutes, all investment earnings are assigned to the general fund except for those specifically related to the building capital projects fund (a nonmajor governmental fund), or certain trust funds individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$17,855, which includes \$8,504 assigned from other School 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 School 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 School District's investment account at year end is provided in Note 4.

***G. Inventory***

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method, which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed. Inventories consist of expendable supplies held for consumption and donated and purchased food held for resale.

***H. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	40 - 50 Years
Buildings	30 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	5 - 20 Years

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

***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 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 employer will compensate the employees for the benefits through paid time off or some other means. The School 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 it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011, 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.

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent 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 fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

***L. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District 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 textbooks and instructional materials.

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

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

***N. Estimates***

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

***O. Restricted Assets***

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. Restricted assets include amounts required by statute to be set aside for textbooks and instructional materials. See Note 15 for additional information regarding set-asides.

***P. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds 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.

***Q. Changes in Accounting Principles***

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 3 – ACCOUNTABILITY**

Fund balances at June 30, 2011 included the following individual fund deficits:

	<u>Deficit</u> <u>Fund Balance</u>
Nonmajor Governmental Funds:	
Food Service	\$ 25,475
Education Jobs	228,355
IDEA Part B	12,430
Athletics Fund	13,679
Title I	7,800
Title II A	2,850
Stabilization Fund	16,271

The deficits in these governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the non-major governmental funds and will provide transfers when cash is required, not when accruals occur.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

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

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 % of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the School 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.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2011, the School District and public depositories complied with the provisions of these statutes.

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

**A. Cash on Hand**

At fiscal year-end, the School District had \$3,870 in undeposited cash on hand which is included on the financial statements of the School District as part of “equity in pooled cash and cash equivalents.”

**B. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all the School District deposits was \$8,160,373, exclusive of the \$155,954 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*,” as of June 30, 2011, \$7,587,477 of the School District’s bank balance of \$8,291,121 was exposed to custodial risk as discussed below, while \$703,644 was covered by FDIC.

Custodial credit risk is the risk that, in the event of the bank failure, the School District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent 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 uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School 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 School District to a successful claim by the FDIC.

**C. Investments**

At June 30, 2011, the School District had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 Months or Less</u>
Repurchase Agreement	\$ 155,954	\$ 155,954

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

*Credit Risk:* 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**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

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

*Custodial Credit Risk:* For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the School District’s \$155,954 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 School 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 two percent. The School 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 School 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 School District at June 30, 2011:

<u>Investment Types</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$155,954	100.00

**NOTE 5 – INTERFUND ACTIVITY**

**A. Interfund Balances**

As of June 30, 2011, receivables and payables that resulted from cash advances from the general fund to other funds were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Fund:		
General	\$ 88,859	\$ 0
Other Governmental:		
Athletics	0	15,625
Food Service	0	15,930
Education Jobs	0	6,025
Tittle II-D	0	184
Title I	0	24,100
IDEA-B	0	26,995
	<u>\$ 88,859</u>	<u>\$ 88,859</u>

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, 2011 are reported on the statement of net assets.



**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 5 – INTERFUND ACTIVITY (Continued)**

**B. Interfund Transfers**

The following is a summary of transfers in and out for all funds for 2011:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 0	\$ 65,801
Debt Service	6,901	0
Classroom Facilities Maintenance	50,000	0
Auxiliary Service	58,900	0
Permanent Improvement	0	50,000
	<u>\$ 115,801</u>	<u>\$ 115,801</u>

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 expand 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.

In accordance with Maintenance Business Plan’s Executive Summary, annually, \$50,000 from the School District’s permanent improvement levy is to be used to fund capital improvements for the two new schools.

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 School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility tangible personal property located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 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**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School 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 was eliminated in 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 replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Portage County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011 are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$458,668 in the general fund, \$9,176 in the classroom facilities maintenance special revenue fund, \$48,894 in the bond retirement debt service fund and \$29,227 permanent improvement capital projects fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred since it has not been received within the available period.

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	Portage County			
	2011 First Half Collections		2010 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 289,601,120	96.66%	\$ 289,954,260	96.56%
Public Utility	9,991,750	3.34%	10,015,780	3.34%
Tangible Personal Property	0	0.00%	305,330	0.10%
	\$ 299,592,870	100.00%	\$ 300,275,370	100.00%
Tax rate per \$1,000 of Assessed Value	\$ 47.20		\$ 47.20	

**NOTE 7: RECEIVABLES**

Receivables at June 30, 2010 consisted of property taxes, interfund, accounts (billings for user charged services, and student fees), intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

	Amounts
Governmental activities:	
Taxes	\$ 7,089,961
Accounts	15,775
Intergovernmental	648,988
Total	\$ 7,754,724

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

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/2010	Additions	Reductions	Balance 6/30/2011
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,586,606	\$ 0	\$ (40,259)	\$ 1,546,347
<i>Capital Assets, being depreciated:</i>				
Land improvements	1,216,252	0	0	1,216,252
Buildings	23,634,535	552,386	(147,978)	24,038,943
Furniture and equipment	3,223,625	113,098	(18,155)	3,318,568
Vehicles	2,562,822	324,050	(176,320)	2,710,552
Total Capital Assets, being depreciated	30,637,234	989,534	(342,453)	31,284,315
<i>Less Accumulated Depreciation:</i>				
Land improvements	(111,085)	(31,600)	0	(142,685)
Buildings	(5,007,977)	(482,611)	78,702	(5,411,886)
Furniture and equipment	(2,014,589)	(109,618)	13,970	(2,110,237)
Vehicles	(1,711,050)	(167,330)	176,320	(1,702,060)
Total Accumulated Depreciation	(8,844,701)	(791,159)	268,992	(9,366,868)
Total Capital Assets being depreciated, net	21,792,533	198,375	(73,461)	21,917,447
<i>Governmental Activities Capital Assets, Net</i>	\$ 23,379,139	\$ 198,375	\$ (113,720)	\$ 23,463,794

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$ 551,839
Special	2,085
<b>Support Services:</b>	
Pupils	2,821
Instructional Staff	305
Administration	16,792
Fiscal	1,188
Operation and Maintenance of Plant	24,543
Pupil Transportation	170,981
Central	2,771
Extracurricular Activities	13,782
Food Service Operations	3,514
Community Services	538
	\$ 791,159

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**NOTE 9 – LONG-TERM OBLIGATIONS**

During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance 6/30/2010	Additions	Deductions	Balance 6/30/2011	Amount Due in One Year
<b>General obligation bonds:</b>					
2011 Refunding Bonds - 5,760,000					
Serial and term bonds 2.00-4.00%	\$ 0	\$ 5,760,000	\$ 0	\$ 5,760,000	\$ 0
Capital appreciation bonds	0	39,978	0	39,978	0
Accreted interest	0	5,172	0	5,172	0
Unamortized Premium	0	248,795	(4,784)	244,011	0
Refunding Loss	0	(135,509)	2,606	(132,903)	0
2001 School Improvements, 5.00%					
Serial and term bonds	6,005,110	0	(5,660,110)	345,000	345,000
Capital appreciation bonds	109,992	0	(109,992)	0	0
Accreted interest	219,580	20,428	(240,008)	0	0
2001 Site Acquisition, 5.00%					
Serial and term bonds	150,000	0	(140,000)	10,000	10,000
Capital appreciation bonds	2,298	0	(2,298)	0	0
Accreted interest	2,469	233	(2,702)	0	0
<b>Total general obligations bonds</b>	<b>6,489,449</b>	<b>5,939,097</b>	<b>(6,157,288)</b>	<b>6,271,258</b>	<b>355,000</b>
<b>Other liabilities:</b>					
EPA asbestos removal loan, 0.00%	20,706	0	(6,901)	13,805	6,901
Compensated absences	1,382,216	253,129	(128,881)	1,506,464	137,336
Early retirement incentive	630,000	312,334	(201,667)	740,667	203,667
<b>Total other liabilities</b>	<b>2,032,922</b>	<b>565,463</b>	<b>(337,449)</b>	<b>2,260,936</b>	<b>347,904</b>
<b>Total</b>	<b>\$ 8,522,371</b>	<b>\$ 6,504,560</b>	<b>\$ (6,494,737)</b>	<b>\$ 8,532,194</b>	<b>\$ 702,904</b>

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

The School District provides an early retirement incentive plan for employees. Employees who enroll in the early retirement incentive plan must have declared their intention to retire before June 30, 2011. Certified employees will receive a \$40,000 incentive. The incentive plus severance pay will be paid in three, five or eight equal annual installments. Payments will begin after second month of retirement. Classified employees will receive a \$15,000 incentive plus severance, which will be paid in five equal annual payments. 15 employees took advantage of the early retirement incentive in fiscal year 2011. A liability for the early retirement incentive payments has been recorded in the statement of net assets.

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 9 – LONG-TERM OBLIGATIONS (Continued)**

In fiscal year 2001, the School 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 School District is pledged and will be paid from property taxes in the debt service fund. Both bond issues include serial, term and capital appreciation bonds. Current year additions amounted to \$20,661 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.

On March 30, 2011, the School District issued \$5,799,978 in voted general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$5,760,000 and \$39,978, respectively. The bonds advance refunded \$5,660,000 of outstanding 2001 Classroom Facilities General Obligation Bonds and \$140,000 of outstanding 2001 Site Acquisition General Obligation Bonds. The bonds were issued for a nineteen year period with final maturities at December 31, 2024.

At the date of refunding, \$5,799,978 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. The advance refunding reduced cash flows required for debt service by \$639,976 over the next thirteen years and resulted in an economic gain of \$461,609. As a result, \$5,800,000 of the 2001 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the 2011 financial statements.

The bonds were issued with a premium of \$248,795, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2011 was \$4,784. The issuance costs of \$113,264 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$2,178. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$135,509. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2011 was \$2,606.

The bond issue consists of serial and capital appreciation bonds. The serial bonds were issued with an interest rate of 2.0-4.0 percent.

The current interest bonds maturing on or after December 1, 2019 are subject to prior redemption, by and at the sole option of the School District, in whole or in part as selected by the School District (in whole multiples of \$5,000) or any date on or after December 1, 2018, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date.

The capital appreciation bonds will mature December 1, 2019. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as interest expense. The maturity amount of the bonds is \$280,000. The fiscal year 2011 accretion amount is \$5,172.

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**NOTE 9 – LONG-TERM OBLIGATIONS (Continued)**

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		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 355,000	\$ 484,974	\$ 0	\$ 0	\$ 355,000	\$ 484,974
2013	445,000	160,812	0	0	445,000	160,812
2014	450,000	151,862	0	0	450,000	151,862
2015	465,000	142,712	0	0	465,000	142,712
2016	475,000	133,312	0	0	475,000	133,312
2017-2021	2,235,000	494,881	39,978	240,022	2,274,978	734,903
2022-2024	1,690,000	103,000	0	0	1,690,000	103,000
Total	<u>\$ 6,115,000</u>	<u>\$ 1,671,553</u>	<u>\$ 39,978</u>	<u>\$ 240,022</u>	<u>\$ 6,154,978</u>	<u>\$ 1,911,575</u>

In fiscal year 1994, the School 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, received into the general fund and subsequently transferred to the debt service fund and will mature of May 1, 2013.

Fiscal Year Ending June 30	EPA Asbestos Removal Loan Principal
2012	\$ 6,901
2013	6,904
Total	<u>\$ 13,805</u>

**NOTE 10 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. 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 three years.

**A. Property and Liability**

The School District is a member of the Portage County School Consortium (the “Consortium”) for health insurance for the School District’s employees. The Consortium was established in 1983 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 function is 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 and coverage, such as health and accident insurance and life insurance. The School 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**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 10 – RISK MANAGEMENT (Continued)**

The School District pays all insurance premiums directly to the Consortium. Although the School 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 School 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 School District contracted with Ohio Casualty Insurance for property, employee bonding, and for general liability insurance during fiscal year 2011.

**B. Workers' Compensation**

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

**NOTE 11 – PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple employer 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 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [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 School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to Health Care and Medicare B Funds. 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$379,867, \$553,484 and \$286,618, respectively; 30 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.



**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 11 – PENSION PLANS (Continued)**

***B. State Teachers Retirement System***

Plan Description - The School 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 the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. 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 School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,221,931, \$1,243,322 and \$1,255,861, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$319 made by the School District and \$228 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 12 – POSTEMPLOYMENT BENEFITS**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 105(e). For 2011, 1.43 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 2011, 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 School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$45,996, \$19,202 and \$177,848, respectively; 30 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$24,445, \$31,725 and \$23,648, respectively; 30 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

***B. State Teachers Retirement System***

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health 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.

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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$93,995, \$95,640 and \$96,605, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**NOTE 13 – 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 revenues, expenditures and changes in fund balance – budget and actual (non-GAAP budgetary basis) presented for the general and classroom facilities maintenance funds are 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 assigned of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
- (e) Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general and classroom facilities maintenance funds are as follows:

<b>Net Change in Fund Balance</b>		
	General	Classroom Facilities Maintenance
GAAP Basis	\$ (777,772)	\$ 194,557
Net Adjustment for Revenue Accruals	724,978	14,476
Advance In	407,952	0
Net Adjustment for Expenditure Accruals	(179,577)	0
Funds Budgeted Elsewhere **	13,435	0
Advance Out	(421,380)	0
Adjustment for Encumbrances	<u>(472,834)</u>	<u>(31,500)</u>
 Budget Basis	 <u>\$ (705,198)</u>	 <u>\$ 177,533</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes public school support fund, uniform school supplies, underground storage tank and vending machine.

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 14 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

**B. Litigation**

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

**NOTE 15 – STATUTORY RESERVES**

The School 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, 2011, the reserve activity was as follows:

	Textbooks/ Instructional Materials	Capital Acquisition
Set-aside reserve balance as of June 30, 2010	\$ 422,468	\$ 0
Current year set-aside requirement	319,163	319,163
Current year offsets	0	(464,363)
Qualifying disbursements	(344,883)	0
Total	396,748	0
Balance carried forward to fiscal year 2012	\$ 396,748	\$ 0

The School 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 restriction of fund balance has been established in the general fund of \$396,748. The School 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. Effective July 1, 2011, textbook set-aside laws have been repealed.

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**NOTE 16: RESTATEMENT OF NET ASSETS/FUND BALANCES**

On July 1, 2011, the School District implemented Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. As a result, certain scholarship funds, previously reported as permanent funds, were reclassified to trust funds for GAAP reporting purposes. The following is the effect of that change in fund balances:

	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>
Previously Reported Net Assets, 6/30/10	\$ 23,105,614	\$ 16,264
Fund Reclassification:		
Endowments	(4,024)	4,024
Restated Net Assets, 7/1/10	\$ 23,101,590	\$ 20,288

	<b>General</b>	<b>Nonmajor Governmental</b>
Previously Reported Fund Balance, 6/30/10	\$ 2,972,591	\$ 2,096,942
Fund Reclassification:		
Endowments	0	(4,024)
Staff Vending Machine	13,207	(13,207)
Uniform School Supplies Fund	48,945	(48,945)
Public School Support Fund	67,099	(67,099)
Underground Storage Tank	11,000	(11,000)
Restated Fund Balance, 7/1/10	\$ 3,112,842	\$ 1,952,667

**Crestwood Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**NOTE 17 – FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Classroom Facilities Maintenance	Other Governmental Funds	Total
Nonspendable for:				
Inventory	\$ 19,462	\$ 0	\$ 49,386	\$ 68,848
Permanent Scholarship Funds	0	0	30,280	30,280
	<u>19,462</u>	<u>0</u>	<u>79,666</u>	<u>99,128</u>
Restricted for:				
General Fund	396,748	0	0	396,748
Debt Service	0	0	491,474	491,474
Capital Outlay	0	0	871,578	871,578
Other Purposes	0	2,350,044	3,479	2,353,523
Total Restricted	<u>396,748</u>	<u>2,350,044</u>	<u>1,366,531</u>	<u>4,113,323</u>
Assigned for:				
Encumbrances	378,252	0	0	378,252
Other Purposes	94,136	0	0	94,136
Total Assigned	<u>472,388</u>	<u>0</u>	<u>0</u>	<u>472,388</u>
Unassigned	1,446,472	0	(356,246)	1,090,226
<i>Total Fund Balance</i>	<u><u>\$ 2,335,070</u></u>	<u><u>\$ 2,350,044</u></u>	<u><u>\$ 1,089,951</u></u>	<u><u>\$ 5,775,065</u></u>



## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

November 29, 2011

To the Board of Education  
Crestwood Local School District  
4565 West Prospect Street  
Mantua, OH 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestwood Local School District, Portage County, Ohio (the School District) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 29, 2011. 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**

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters that we reported to management of the School District in a separate letter dated November 29, 2011.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities 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.*

November 29, 2011

To the Board of Education  
Crestwood Local School District  
4565 West Prospect Street  
Mantua, OH 44255

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

### Compliance

We have audited the compliance of Crestwood Local School District, Portage County, Ohio (the 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The School District's major federal programs are 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 each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the 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 Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011

**Internal Control over Compliance**

Management of the 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 the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, 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 the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

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

*Rea & Associates, Inc.*

**Crestwood Local School District**  
*Schedule of Expenditures of Federal Awards - Cash Basis*  
*For the Fiscal Year Ended June 30, 2011*

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 Cluster:				
Title I	84.010	2010	\$ 11,371	\$ 20,995
Title I	84.010	2011	176,392	174,840
ARRA - Title I	84.389	2011	105,754	108,799
ARRA - Title I Delinquent	84.389	2011	27,667	29,781
Title I - Delinquent	84.010	2011	46,836	46,836
Total Title I Cluster			<u>368,020</u>	<u>381,251</u>
Special Education Cluster:				
Special Education - Grants to States	84.027	2010	8,712	89,091
Special Education - Grants to States	84.027	2011	342,786	345,826
ARRA - Special Education - Grants to States	84.391	2010	46,315	34,478
ARRA - Special Education - Grants to States	84.391	2011	375,297	383,524
Total Special Education - Grants to States			<u>773,110</u>	<u>852,919</u>
Special Education - Preschool Grants	84.173	2011	6,924	6,924
ARRA - Special Education - Preschool Grants	84.392	2010	803	803
ARRA - Special Education - Preschool Grants	84.392	2011	2,608	2,608
Total Special Education - Preschool Grants			<u>10,335</u>	<u>10,335</u>
Total Special Education Cluster			<u>783,445</u>	<u>863,254</u>
Title IV-A Safe and Drug-Free Schools	84.186	2011	532	1,519
Title II-D Technology	84.318	2011	2,348	2,455
Title II-A - Improving Teacher Quality	84.367	2011	73,997	73,997
Education Jobs	84.410	2011	623,927	624,704
ARRA - State Fiscal Stabilization Fund	84.394	2011	893,956	811,638
Total U.S. Department of Education			<u>2,746,225</u>	<u>2,758,818</u>
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program	10.555	N/A	33,435	33,435
Cash Assistance:				
School Breakfast Program	10.553	N/A	33,073	33,073
National School Lunch Program	10.555	N/A	166,073	166,073
Total Nutrition Cluster			<u>232,581</u>	<u>232,581</u>
Total U.S. Department of Agriculture			<u>232,581</u>	<u>232,581</u>
<b>U. S. Department of Transportation (Passed Through Ohio Department of Transportation):</b>				
Highway Planning and Construction	20.205	2010	0	37,106
Total U.S. Department of Transportation			<u>0</u>	<u>37,106</u>
Total Federal Assistance			<u>\$ 2,978,806</u>	<u>\$ 3,028,505</u>

See accompanying notes to this schedule

**Crestwood Local School District**  
*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis*  
*For the Fiscal Year Ended June 30, 2011*

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**Note A - Child Nutrition Cluster**

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

**Note B – Food Donation Program**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

**Note C – Highway Planning and Construction**

In fiscal year 2010, the School District received and spent \$37,109 as part of the Safe Routes to School program. This amount was inadvertently excluded from the fiscal year 2010 Schedule of Expenditures of Federal Awards. The expenditures have been included as part of the fiscal year 2011 Schedule of Expenditures of Federal Awards.

**Note D - Transfers**

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2011, ODE authorized the following transfers:

<u>CFDA Number / Grant Title</u>	<u>Grant Year</u>	<u>Transfers In</u>	<u>Transfers Out</u>
84.010 Title I	2011	\$ 8,961	
84.010 Title I	2010		\$ 8,961
84.027 IDEA Part B	2011	147	
84.027 IDEA Part B	2010		147
84.318 Technology Education	2011	107	
84.318 Technology Education	2010		107
84.186 Safe and Drug Free Schools	2011	1,026	
84.186 Safe and Drug Free Schools	2010		1,026

**Crestwood Local School District**  
*Schedule of Findings*  
*OMB Circular A-133 , Section .505*  
*June 30, 2011*

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(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 Title I Cluster Education Jobs State Fiscal Stabilization Fund	CFDA #84.027, 84.173, 84.391, 84.392 CFDA #84.010, 84.389 CFDA #84.410 CFDA #84.394
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None noted.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None noted.



## Rea & Associates, Inc.

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### Independent Accountant's Report on Applying Agreed-Upon Procedures

November 29, 2011

Crestwood Local School District  
Portage County  
4565 West Prospect Street  
Mantua, Ohio 44255

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Crestwood Local School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 3, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*



# Dave Yost • 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  
JANUARY 17, 2012**