



Mary Taylor, CPA
Auditor of State

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestview Local School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crestview Local School District, Columbiana County, Ohio, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparisons in the General Fund for the year then ended and 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 April 8, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

April 8, 2008

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited**

The discussion and analysis of the financial performance of Crestview Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

In total, net assets decreased \$187,282.

General revenues accounted for \$8,418,972, or 79 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$2,261,082 or 21 percent of total revenues of \$10,680,054.

The District's major funds included the General Fund, the Bond Retirement Debt Service Fund and the Permanent Improvement Capital Projects Fund. The General Fund had \$8,825,455 in revenues and \$8,450,301 in expenditures. The General Fund's balance increased \$375,154 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$354,674 in revenues and \$326,865 in expenditures. The Bond Retirement Debt Service Fund's balance increased \$27,809 from the prior fiscal year. The Permanent Improvement Capital Projects Fund had \$206,754 in revenues and \$140,321 in expenditures. The Permanent Improvement Capital Projects Fund's balance increased \$66,433 from the prior fiscal year.

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

Using the Basic Financial Statements

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

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

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Proprietary Funds – The District maintains a proprietary fund. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for insurance benefits.

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005.

Table 1		
Net Assets		
Governmental Activities		
	2006	2005
<u>Assets:</u>		
Current and Other Assets	\$4,673,371	\$4,261,599
Capital Assets, Net	13,523,714	14,030,483
Total Assets	18,197,085	18,292,082
<u>Liabilities:</u>		
Current and Other Liabilities	3,346,192	3,303,475
Long-Term Liabilities	3,249,178	3,574,174
Total Liabilities	6,595,370	6,877,649
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	10,843,714	10,993,430
Restricted	908,163	737,373
Unrestricted	(150,162)	(316,370)
Total	\$11,601,715	\$11,414,433

The increase in net assets was insignificant.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

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

	2006	2005
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$1,404,868	\$1,170,291
Operating Grants, Contributions and Interest	841,878	811,811
Capital Grants and Contributions	14,336	
Total Program Revenues	<u>2,261,082</u>	<u>1,982,102</u>
General Revenues:		
Property Taxes	2,439,982	2,315,338
Income Taxes	1,051,470	919,831
Grants and Entitlements	4,806,725	4,845,265
Investment Earnings	67,042	30,612
Gifts and Donations	20,766	20,459
Miscellaneous	32,987	13,349
Total General Revenues	<u>8,418,972</u>	<u>8,144,854</u>
Total Revenues	<u>10,680,054</u>	<u>10,126,956</u>
Expenses:		
Instruction	5,818,325	5,634,858
Support Services:		
Pupils	496,165	575,120
Instructional Staff	467,535	533,266
Board of Education	19,157	19,172
Administration	792,548	794,002
Fiscal	282,192	250,701
Business	345	345
Operation and Maintenance of Plant	1,141,821	1,048,492
Pupil Transportation	552,849	542,567
Central	21,931	25,760
Non-Instructional	493,945	443,513
Extracurricular Activities	324,538	315,456
Capital Outlay		890
Interest and Fiscal Charges	81,421	89,518
Total Expenses	<u>10,492,772</u>	<u>10,273,660</u>
Increase/(Decrease) in Net Assets	<u>\$187,282</u>	<u>(\$146,704)</u>

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Governmental Activities

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

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>
Instruction	\$5,818,325	\$4,317,789	\$5,634,858	\$4,286,826
Support Services:				
Pupils	496,165	398,002	575,120	492,686
Instructional Staff	467,535	405,335	533,266	533,266
Board of Education	19,157	19,157	19,172	19,172
Administration	792,548	779,655	794,002	786,987
Fiscal	282,192	282,192	250,701	250,701
Business	345	345	345	345
Operation and Maintenance of Plant	1,141,821	1,141,821	1,048,492	1,048,492
Pupil Transportation	552,849	552,849	542,567	542,567
Central	21,931	21,931	25,760	25,760
Non-Instructional	493,945	32,952	443,513	19,330
Extracurricular Activities	324,538	198,241	315,456	195,018
Capital Outlay			890	890
Interest and Fiscal Charges	81,421	81,421	89,518	89,518
Total Expenses	<u>\$10,492,772</u>	<u>\$8,231,690</u>	<u>\$10,273,660</u>	<u>\$8,291,558</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 74 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 78 percent. The remaining 22 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvement Capital Projects Fund. Total governmental funds had revenues of \$10,724,104 and expenditures of \$10,192,796. The net positive change of \$531,308 in fund balance for the year indicates that the District was able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$8,640,792 while actual expenditures were \$8,481,597. The \$159,195 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the District had \$13,523,714 invested in capital assets (net of accumulated depreciation) for governmental activities.

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

Debt

As of June 30, 2006, the District had \$1,975,000 in school facilities improvement general obligation bonds for building improvements. The new bonds were issued for a twelve-year period, with final maturity on December 1, 2015. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2006, the District's overall legal debt margin was \$6,519,918, with an un-voted debt margin of \$94,388.

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

Current Issues

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

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

The District is also experiencing a loss of state foundation revenues due to the increase of local assessed valuation. For fiscal year 2002, the District's state share percentage was 68.93, for fiscal year 2006 the state share percentage dropped to 61.34, a decrease of 7.59 percent. This decrease along with the uncertainty of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation and the reduction of personal property business inventory are all challenges for the District to manage in the future.

The District is also currently experiencing a declining enrollment. In order to offset the decrease, the District adopted an Open Enrollment Policy effective with the 2003 fiscal year. Currently for the 2005-2006 school year, the District has a net open enrollment population of approximately 100 students. This is an increase of approximately 29 students from the 2004-2005 school year.

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006
Unaudited
(Continued)**

Contacting the District's Financial Management

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Net Assets
June 30, 2006**

		<u>Governmental Activities</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	1,118,027
Cash and Cash Equivalents with Fiscal Agents		542,113
Investments		106,421
Materials and Supplies Inventory		22,291
Accrued Interest Receivable		8,224
Accounts Receivable		1,079
Intergovernmental Receivable		36,255
Prepaid Items		6,712
Taxes Receivable		2,346,068
Income Taxes Receivable		486,181
Capital Assets:		
Non-Depreciable Capital Assets		250,000
Depreciable Capital Assets, net		13,273,714
Total Assets		<u>18,197,085</u>
LIABILITIES:		
Accounts Payable		2,580
Accrued Wages and Benefits		805,001
Intergovernmental Payable		217,379
Matured Compensated Absences Payable		24,559
Deferred Revenue		2,161,880
Claims Payable		134,793
Long-Term Liabilities:		
Due Within One Year		339,000
Due in More Than One Year		2,910,178
Total Liabilities		<u>6,595,370</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		10,843,714
Restricted for Debt Service		360,003
Restricted for Capital Outlay		345,676
Restricted for Other Purposes		202,484
Unrestricted		(150,162)
Total Net Assets	\$	<u>11,601,715</u>

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2006**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 4,787,672	\$ 970,453	\$ 162,707	\$ 14,336
Special	852,612		353,040	(3,640,176)
Vocational	142,548			(499,572)
Other	35,493			(142,548)
Support Services:				
Pupils	496,165	59,716	38,447	(35,493)
Instructional Staff	467,535		62,200	(398,002)
Board of Education	19,157			(405,335)
Administration	792,548		12,893	(19,157)
Fiscal	282,192			(779,655)
Business	345			(282,192)
Operation and Maintenance of Plant	1,141,821			(345)
Pupil Transportation	552,849			(1,141,821)
Central	21,931			(552,849)
Operation of Non-Instructional Services	493,945	248,402	212,591	(21,931)
Extracurricular Activities	324,538	126,297		(32,952)
Debt Service:				
Interest and Fiscal Charges	81,421			(198,241)
Totals	\$ 10,492,772	\$ 1,404,868	\$ 841,878	\$ 14,336
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,910,879
Property Taxes, Levied for Capital Outlay				180,183
Property Taxes, Levied for Debt Service				309,948
Property Taxes, Levied for Other				38,972
Income Taxes				1,051,470
Grants and Entitlements not Restricted to Specific Programs				4,806,725
Gifts and Donations				20,766
Investment Earnings				67,042
Miscellaneous				32,987
Total General Revenues				8,418,972
Change in Net Assets				187,282
Net Assets Beginning of Year				11,414,433
Net Assets End of Year				\$ 11,601,715

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2006**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 218,487	\$ 335,680	\$ 316,879	\$ 189,665	\$ 1,060,711
Investments				106,421	106,421
Materials and Supplies Inventory	16,148			6,143	22,291
Accrued Interest Receivable	8,224				8,224
Accounts Receivable	718			361	1,079
Interfund Receivable	50,726				50,726
Intergovernmental Receivable	1,649			34,606	36,255
Prepaid Items	6,712				6,712
Taxes Receivable	1,867,344	277,596	164,050	37,078	2,346,068
Income Taxes Receivable	486,181				486,181
Noncurrent Assets:					
Equity in Pooled Cash and Cash Equivalents	57,316				57,316
Advances to Other Funds	23,408				23,408
Total Assets	\$ 2,736,913	\$ 613,276	\$ 480,929	\$ 374,274	\$ 4,205,392
Liabilities					
Current Liabilities:					
Accounts Payable	2,580				2,580
Accrued Wages and Benefits	776,809			28,192	805,001
Interfund Payable				50,676	50,676
Intergovernmental Payable	197,173			20,256	217,429
Matured Compensated Absences Payable	23,999			560	24,559
Deferred Revenue	1,795,661	253,703	150,078	67,313	2,266,755
Noncurrent Liabilities:					
Advances from Other Funds				23,408	23,408
Total Liabilities	2,796,222	253,703	150,078	190,405	3,390,408
Fund Balances					
Reserved:					
Reserved for Encumbrances	18,886		47,609	25,226	91,721
Reserved for Inventory	16,148			6,143	22,291
Reserved for Prepaid Items	6,712				6,712
Reserved for Advances	33,581				33,581
Reserved for Property Taxes	139,718	23,893	13,972	2,895	180,478
Reserved for Textbooks and Instructional Mat.	57,316				57,316
Unreserved, Undesignated, Reported in:					
General Fund	(331,670)				(331,670)
Special Revenue Funds				135,032	135,032
Debt Service Funds		335,680			335,680
Capital Projects Funds			269,270	14,573	283,843
Total Fund Balances	(59,309)	359,573	330,851	183,869	814,984
Total Liabilities and Fund Balances	\$ 2,736,913	\$ 613,276	\$ 480,929	\$ 374,274	\$ 4,205,392

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2006**

Total Governmental Fund Balances	\$	814,984
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		13,523,714
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		104,875
<p>Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.</p>		
Internal Service Fund		
Claims Payable		(134,793)
Internal Service Cash		542,113
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
General Obligation Bonds Payable	(1,975,000)	
Leases Payable	(705,000)	
Compensated Absences Payable	(569,178)	
	(3,249,178)	
Net Assets of Governmental Activities	\$	11,601,715

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 1,998,309	\$ 320,676	\$ 186,456	40,465	\$ 2,545,906
Income Tax	1,041,963				1,041,963
Intergovernmental	4,763,696	33,998	20,298	811,817	5,629,809
Interest	43,481			4,324	47,805
Tuition and Fees	962,616				962,616
Rent	372				372
Extracurricular Activities				186,606	186,606
Gifts and Donations	140			20,626	20,766
Customer Sales and Services	7,465			247,809	255,274
Miscellaneous	7,413			25,574	32,987
Total Revenues	<u>8,825,455</u>	<u>354,674</u>	<u>206,754</u>	<u>1,337,221</u>	<u>10,724,104</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	4,331,307			119,306	4,450,613
Special	494,399			315,378	809,777
Vocational	130,583				130,583
Other	30,493			5,000	35,493
Support Services:					
Pupils	387,526			89,061	476,587
Instructional Staff	343,834			84,550	428,384
Board of Education	19,157				19,157
Administration	730,966			8,317	739,283
Fiscal	266,270	6,637	3,887	858	277,652
Operation and Maintenance of Plant	1,034,512		18,188	53,482	1,106,182
Pupil Transportation	487,487				487,487
Central	21,311			593	21,904
Operation of Non-Instructional Services				479,889	479,889
Extracurricular Activities	172,456			118,875	291,331
Debt Service:					
Principal		271,290	86,823		358,113
Interest		48,938	31,423		80,361
Total Expenditures	<u>8,450,301</u>	<u>326,865</u>	<u>140,321</u>	<u>1,275,309</u>	<u>10,192,796</u>
Excess of Revenues Over (Under) Expenditures	<u>375,154</u>	<u>27,809</u>	<u>66,433</u>	<u>61,912</u>	<u>531,308</u>
Net Change in Fund Balances	375,154	27,809	66,433	61,912	531,308
Fund Balance (Deficit) at Beginning of Year	(434,463)	331,764	264,418	121,957	283,676
Fund Balance (Deficit) at End of Year	<u>\$ (59,309)</u>	<u>\$ 359,573</u>	<u>\$ 330,851</u>	<u>\$ 183,869</u>	<u>\$ 814,984</u>

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds \$ 531,308

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

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

Capital Outlay - Depreciable Capital Assets	18,260	
Depreciation	<u>(506,980)</u>	
		(488,720)

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

Gain (Loss) on Disposal of Capital Assets		(18,049)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	33,130	
Interest	19,237	
Delinquent Property Taxes	(105,924)	
Income Taxes	<u>9,507</u>	
		(44,050)

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

357,053

Internal service fund is not included in governmental fund financial statements.

(189,235)

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

Intergovernmental Payable	71,032	
Compensated Absences Payable	<u>(32,057)</u>	
		<u>38,975</u>

Change in Net Assets of Governmental Activities		\$ <u><u>187,282</u></u>
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See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Property and Other Local Taxes	\$ 1,966,653	\$ 1,898,357	\$ 1,904,849	\$ 6,492
Income Tax	893,492	984,074	984,074	-
Intergovernmental	4,763,497	4,760,133	4,762,048	1,915
Interest	16,000	36,188	37,904	1,716
Tuition and Fees	856,326	964,080	964,211	131
Rent	400	372	372	-
Gifts and Donations	500	140	140	-
Customer Sales and Services	3,000	7,103	7,465	362
Miscellaneous	1,200	5,941	6,161	220
Total Revenues	8,501,068	8,656,388	8,667,224	10,836
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,281,526	4,401,268	4,399,418	1,850
Special	465,646	465,646	496,884	(31,238)
Vocational	171,606	171,606	137,241	34,365
Other	22,455	22,455	30,493	(8,038)
Support Services:				
Pupils	514,145	514,653	394,018	120,635
Instructional Staff	392,583	392,583	348,245	44,338
Board of Education	31,215	31,215	19,183	12,032
Administration	738,868	738,868	726,982	11,886
Fiscal	232,312	243,557	262,821	(19,264)
Operation and Maintenance of Plant	970,270	971,367	999,071	(27,704)
Pupil Transportation	466,521	466,521	470,276	(3,755)
Central	18,728	18,728	21,382	(2,654)
Extracurricular Activities	202,325	202,325	172,309	30,016
Total Expenditures	8,508,200	8,640,792	8,478,323	162,469
Excess of Revenues Over (Under) Expenditures	(7,132)	15,596	188,901	173,305
Other Financing Sources and Uses:				
Proceeds from Sale of Capital Assets	-	691	691	-
Refund of Prior Year Expenditures	6,896	6,896	6,896	-
Advances Out	-	-	(3,265)	(3,265)
Total Other Financing Sources and Uses	6,896	7,587	4,322	(3,265)
Net Change in Fund Balances	(236)	23,183	193,223	170,040
Fund Balance (Deficit) at Beginning of Year	48,936	48,936	48,936	-
Prior Year Encumbrances Appropriated	2,005	2,005	2,005	-
Fund Balance (Deficit) at End of Year	\$ 50,705	\$ 74,124	\$ 244,164	\$ 170,040

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Fund Net Assets
Internal Service Fund
June 30, 2006**

Governmental Activities

Internal Service

ASSETS:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$ -
Cash and Cash Equivalents with Fiscal Agents	<u>542,113</u>
Total Current Assets	<u>542,113</u>

Total Assets	<u><u>542,113</u></u>
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LIABILITIES:

Current Liabilities:

Claims Payable	<u>134,793</u>
Total Current Liabilities	<u>134,793</u>

Total Liabilities	<u><u>134,793</u></u>
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NET ASSETS:

Unrestricted	<u>407,320</u>
Total Net Assets	<u><u>\$ 407,320</u></u>

See Accompanying Notes to Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2006**

Governmental Activities

OPERATING REVENUES:

Charges for Services	\$ 878,789
Total Operating Revenues	<u>878,789</u>

OPERATING EXPENSES:

Purchased Services	67,534
Claims	<u>1,000,490</u>
Total Operating Expenses	<u>1,068,024</u>
Operating Income (Loss)	<u>(189,235)</u>

NON-OPERATING REVENUES (EXPENSES):

Interest	<u>19,237</u>
Total Non-Operating Revenues (Expenses)	<u>19,237</u>
Net Change in Net Assets	(169,998)

Net Assets (Deficit) at Beginning of Year 577,318

Net Assets (Deficit) at End of Year \$ 407,320

See Accompanying Notes to Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2006**

	Governmental Activities
	<u>Internal Service</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 878,789
Cash Payments for Contract Services	(67,534)
Cash Payments for Claims	<u>(893,891)</u>
Net Cash Used by Operating Activities	<u>(82,636)</u>
Cash Flows from Investing Activities:	
Interest Received	<u>19,237</u>
Net Cash Provided (Used) by Investing Activities	<u>19,237</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(63,399)
Cash and Cash Equivalents at Beginning of Year	<u>605,512</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 542,113</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ (189,235)
Adjustments	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>106,599</u>
Net Cash Used by Operating Activities	<u><u>\$ (82,636)</u></u>

See Accompanying Notes to Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>25,406</u>
Total Assets	<u>25,406</u>
Liabilities	
Current Liabilities:	
Undistributed Monies	<u>25,406</u>
Total Liabilities	<u>\$ 25,406</u>

See Accompanying Notes to the Basic Financial Statements

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Crestview Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Crestview Local School District is a city school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 38 non-certified and 87 certified full-time teaching personnel who provide services to 977 students and other community members.

The Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds. The following is a description of the District's internal service fund.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund is a self-insurance fund that accounts for prescription drug, dental and vision claims of the District's employees.

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Expenditures/Expenses

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

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

E. Budgetary Process

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

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

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

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

F. Cash and Investments

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

During fiscal year 2006, investments were limited to STAR Ohio, Freddie Mac, Federal Home Loan Bank Loans, and repurchase agreements. Investments in nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$43,481 and \$4,324 to other District funds.

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

G. Inventory

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

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

H. Restricted Assets

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

I. Capital Assets

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

M. Net Assets

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

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

N. Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, property taxes, advances, and prepaid items. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

O. Interfund Assets/Liabilities

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

P. Estimates

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

3. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	\$375,154
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received In Cash FY 2006	417,820
Accrued FY 2006, Not Yet Received in Cash	(576,042)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(984,456)
Accrued FY 2006, Not Yet Paid in Cash	985,477
Advances Net	(3,265)
Encumbrances Outstanding at Year End (Budget Basis)	(21,465)
Budget Basis	\$193,223

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement be at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the District had \$400 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents.”

At June 30, 2006, the District’s internal service fund had a balance of \$542,112 with OME-RESA, a claims servicing pool (See Note 9). The balance is held by the claims administrator in a pooled account, which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan’s fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$634,155 of the District’s bank balance of \$1,582,127 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

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

Investments

As of June 30, 2006, the District had the following investments. All investments are in an internal investment pool.

	<u>Carrying and Fair Value</u>	<u>Maturity</u>
Repurchase Agreement	\$176,838	July 1, 2005
Freddie Mac	99,218	October 27, 2006
FHLB	98,812	October 20, 2006
STAR Ohio	2,381	Average
Total Investments	<u>\$377,249</u>	

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

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

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

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

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

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2006 were levied after April 1, 2005, on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. PROPERTY TAXES – (Continued)

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes for 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2006 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2006 was \$139,718 in the General Fund, \$23,893 in the Debt Service Fund, \$13,972 in the Capital Projects Fund, and \$2,895 in the Special Revenue Fund. The amount available as an advance at June 30, 2005 was \$46,258 in the General Fund, \$7,857 in the Debt Service Fund, \$4,595 in the Capital Projects Fund, and \$981 in the Special Revenue Fund.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$76,530,070	82%	\$77,823,200	82%
Industrial/Commercial	6,483,990	7%	6,538,550	7%
Public Utility	5,784,930	6%	6,133,520	7%
Tangible Personal	4,646,940	5%	3,892,710	4%
Total Assessed Value	<u>\$93,445,930</u>	<u>100%</u>	<u>\$94,387,980</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$36.62		\$36.62	

6. SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% permanent school district income tax in the November 1989 election that became effective January 1, 1990. School district income tax revenue received by the General Fund during fiscal year 2006 was \$1,041,963.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2006, consisted of property, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

	Amount
Governmental Activities	
General	\$1,649
Safety Incentive Grant	34,606
Total Intergovernmental Receivables	\$36,255

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$250,000			\$250,000
Total Nondepreciable Capital Assets	250,000			250,000
Depreciable Capital Assets				
Land Improvements	44,420	\$5,370		49,790
Buildings and Building Improvements	16,884,203			16,884,203
Furniture, Fixtures, and Equipment	701,252	12,890	\$8,452	705,690
Vehicles	925,378		13,260	912,118
Total Depreciable Capital Assets	18,555,253	18,260	21,712	18,551,801
Less Accumulated Depreciation				
Land Improvements	2,545	1,144		3,689
Buildings and Building Improvements	3,969,871	405,214		4,375,085
Furniture, Fixtures, and Equipment	220,935	34,613	3,663	251,885
Vehicles	581,419	66,009		647,428
Total Accumulated Depreciation	4,774,770	506,980	3,663	5,278,087
Depreciable Capital Assets, Net	13,780,483	(488,720)	18,049	13,273,714
Governmental Activities Capital Assets, Net	\$14,030,483	(\$488,720)	\$18,049	\$13,523,714

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

8. CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$203,805
Special	36,691
Vocational	6,671
Support Services:	
Pupil	10,960
Instructional Staff	30,020
Administration	40,457
Fiscal	6,671
Business	345
Operation and Maintenance of Plant	34,869
Pupil Transportation	77,890
Non-Instructional Services	17,861
Extracurricular	40,740
Total Depreciation Expense	<u><u>\$506,980</u></u>

9. RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2006, the District has contracted with the following insurance companies to provide coverage in the following amounts:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
<u>Ohio School Plan</u>		
General liability:		
Each occurrence	\$1,000,000	\$0
Aggregate	2,000,000	0
Umbrella liability:		
Each occurrence	1,000,000	0
Aggregate	3,000,000	0
<u>Ohio School Plan</u>		
Fleet:		
Comprehensive	2,000,000	500
Collision	2,000,000	500
<u>Cincinnati Insurance Company</u>		
Building and contents	21,441,412	1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal 2006.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

9. RISK MANAGEMENT - (Contiued)

B. Health and Dental Insurance

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

All funds of the District participate in the program and make payment to the Self-Insurance Fund based upon actuarial estimates of the amounts needed to pay prior and current-year claims. The claims liability of \$134,793 reported in the Self Insurance Internal Service Fund at June 30, 2006 is based upon the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of financial statements and the amount of the loss can be reasonably estimated.

Claims in the fund's claims liability during fiscal years 2005 and 2006 were:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2005	\$123,425	\$743,606	\$838,837	\$28,194
2006	\$28,194	\$1,107,089	\$1,000,490	\$134,793

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

C. OSBA Group Rating Program

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

9. RISK MANAGEMENT – (Continued)

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

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

10. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$175,273, \$167,629, and \$151,427, respectively; 53 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. The unpaid contributions for fiscal year 2006 are \$81,672.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. DEFINED PENSION BENEFIT PLANS – (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

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

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

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salaries. The District is required to contribute at an actuarially determine rate. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$644,540, \$645,627, and \$599,474, respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. DEFINED PENSION BENEFIT PLANS – (Continued)

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, 2006, four board members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2005, and June 30, 2004, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the allocation rate is 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005, were \$178,221,113. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

11. POSTEMPLOYMENT BENEFITS – (Continued)

The number of participants eligible to receive benefits is 58,123.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .245, then adding the surcharge due as of June 30, 2005, as certified to your district by SERS.

12. COMPENSATED ABSENCES

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated up to a maximum of 15 days per year for all personnel. The total lifetime maximum sick leave accumulation for personnel is 235 days for certified employees, and 235 days for classified employees. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 47 days for certified employees, and 46 days for classified employees.

13. LONG-TERM OBLIGATIONS

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

During the year ended June 30, 2006, the following changes occurred in obligations reported in the government-wide financial statements:

	Balance at 6/30/05	Additions	Deductions	Balance at 6/30/06	Due Within One Year
General Obligation Bond Payable	\$2,230,000		\$255,000	\$1,975,000	\$250,000
Energy Conservation Notes Payable	16,053		16,053		
Capital Lease Obligation	791,000		86,000	705,000	89,000
Compensated Absences	537,121	\$569,178	537,121	569,178	
Total	\$3,574,174	\$569,178	\$894,174	\$3,249,178	\$339,000

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

13. LONG-TERM OBLIGATIONS – (Continued)

School Energy Conservation Note

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

Total expenditures for interest for the above debt for the period ended June 30, 2006 was \$80,361.

The scheduled payments of principal and interest on debt outstanding at June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$250,000	\$43,887	\$293,887
2008	245,000	38,631	283,631
2009	250,000	32,750	282,750
2010	245,000	26,256	271,256
2011	240,000	19,288	259,288
2012-2016	745,000	380,897	1,125,897
Total	<u>\$1,975,000</u>	<u>\$541,709</u>	<u>\$2,516,709</u>

14. CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

Capital assets acquired by lease have been capitalized in the government-wide net assets statement in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the government-wide net assets statement. Principal payments in the 2006 fiscal year totaled \$86,000. This amount is reflected as debt service principal retirement in the Capital Projects Fund.

The following is an analysis of the equipment under capital lease as of June 30, 2006:

Football Stadium and Track, Carrying Value	<u>\$705,000</u>
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**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

14. CAPITALIZED LEASES - LESSEE DISCLOSURE – (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2006:

Year Ending June 30,	Payments
2007	\$118,245
2008	117,809
2009	117,923
2010	117,679
2011	117,055
2012	117,017
2013	117,720
Total Future Minimum Lease Payments	823,448
Less: Amount Representing Interest	(118,448)
Present Value of Future Minimum Lease Payments	\$705,000

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2005	(\$32,730)	
Current Year Set-aside Requirement	168,516	\$168,516
Current Year Offsets		
Qualifying Disbursements	(78,470)	(256,005)
Total	\$57,316	(\$87,489)
Cash Balance Carried Forward to FY 2007	\$57,316	

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS

A. Area Cooperative Computerized Educational Service System

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

B. Columbiana County Career Center

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

17. GROUP PURCHASING POOLS

A. Columbiana County School Employees Insurance Consortium

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

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

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

18. SCHOOL FUNDING DECISION

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

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

19. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

B. Litigation

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestview Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated April 8, 2008.

We intend this report solely for the information and use of the audit committee, management, board of education. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

April 8, 2008

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006**

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

NONE



Mary Taylor, CPA
Auditor of State

CRESTVIEW LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 13, 2008