

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

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED

JUNE 30, 2009

CAROL F. CORBETT, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Crestwood Local School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 4, 2010

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 21, 2009

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestwood Local School District (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Hea & Associates, Inc.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Crestwood Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities increased \$755,698 which represents 3.42% increase from 2008.
- General revenues accounted for \$20,064,623 in revenue or 84.88% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$3,573,753 or 15.12% of total revenues of \$23,638,376.
- The District had \$22,882,678 in expenses related to governmental activities; only \$3,573,753 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,064,623 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$20,333,115 in revenues and \$19,838,470 in expenditures and other financing sources. The general fund had an increase in the reserve for inventory for 2009 of \$4,337. During fiscal year 2009, the general fund's fund balance increased \$498,982 from \$1,738,874 to \$2,237,856.

Using the Basic Financial Statements (BFS)

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-18 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-45 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2009 and 2008.

	Net Assets	
	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
<u>Assets</u>		
Current and other assets	\$ 16,210,461	\$ 16,471,182
Capital assets, net	<u>23,799,154</u>	<u>24,372,459</u>
Total assets	<u>40,009,615</u>	<u>40,843,641</u>
<u>Liabilities</u>		
Current liabilities	9,323,268	10,653,658
Long-term liabilities	<u>7,821,125</u>	<u>8,080,459</u>
Total liabilities	<u>17,144,393</u>	<u>18,734,117</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	17,377,547	17,603,951
Restricted	4,674,778	3,903,803
Unrestricted	<u>812,897</u>	<u>601,770</u>
Total net assets	<u><u>\$ 22,865,222</u></u>	<u><u>\$ 22,109,524</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$22,865,222.

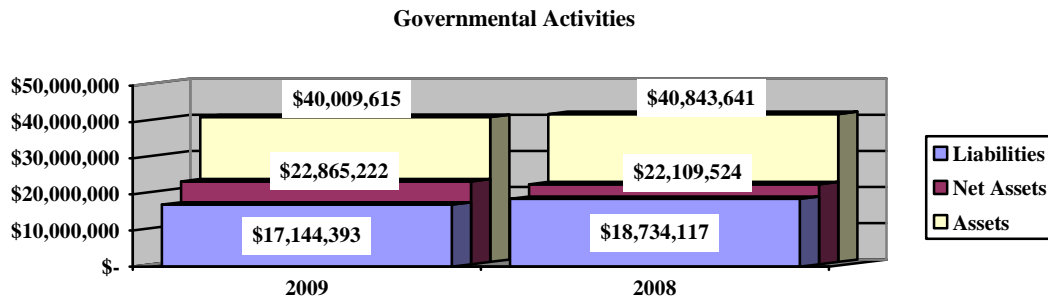
**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

At year-end, capital assets represented 59.48% of total assets. Capital assets include land, land improvements, buildings, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$17,377,547. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,674,778, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$812,897 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net assets at June 30, 2009 and 2008.



The table below shows the change in net assets for fiscal year 2009 and 2008.

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,577,298	\$ 1,829,271
Operating grants and contributions	1,943,994	2,021,365
Capital grants and contributions	52,461	11,337
General revenues:		
Property taxes	7,202,147	6,864,826
Grants and entitlements	12,719,075	12,406,113
Investment earnings	91,782	313,007
Other	51,619	243,814
Total revenues	<u>23,638,376</u>	<u>23,689,733</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Change in Net Assets	
	Governmental	Governmental
	Activities	Activities
	<u>2009</u>	<u>2008</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 9,524,639	\$ 9,631,373
Special	1,544,952	1,633,785
Vocational	218,447	198,561
Other	1,245,246	1,227,506
Support services:		
Pupil	1,062,906	1,034,966
Instructional staff	986,931	1,083,624
Board of education	17,682	12,737
Administration	2,093,839	1,988,842
Fiscal	458,038	497,338
Business	31,252	25,781
Operations and maintenance	1,991,252	2,218,025
Pupil transportation	1,660,686	1,600,977
Central	393,380	331,912
Food service operations	619,417	637,288
Operations of non-instructional services	108,979	151,402
Extracurricular activities	530,100	608,091
Interest and fiscal charges	<u>394,932</u>	<u>381,273</u>
Total expenses	<u>22,882,678</u>	<u>23,263,481</u>
Change in net assets	755,698	426,252
Net assets at beginning of year	<u>22,109,524</u>	<u>21,683,272</u>
Net assets at end of year	<u>\$ 22,865,222</u>	<u>\$ 22,109,524</u>

Governmental Activities

Net assets of the District's governmental activities increased \$755,698. Total governmental expenses of \$22,882,678 were offset by program revenues of \$3,573,753 and general revenues of \$20,064,623. Program revenues supported 15.62% of the total governmental expenses.

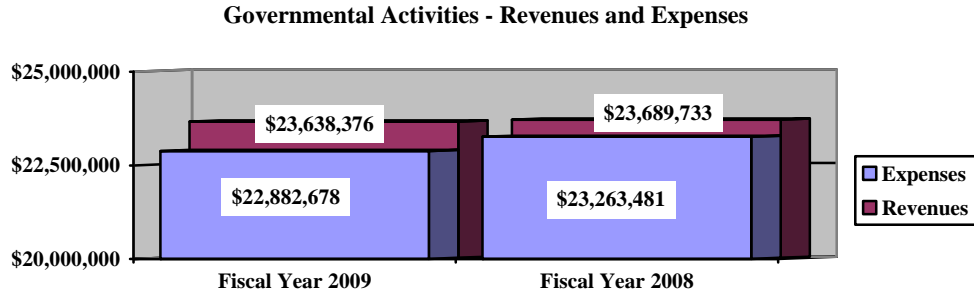
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 84.27% of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,533,284 or 54.77% of total governmental expenses for fiscal year 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2009 and 2008.



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

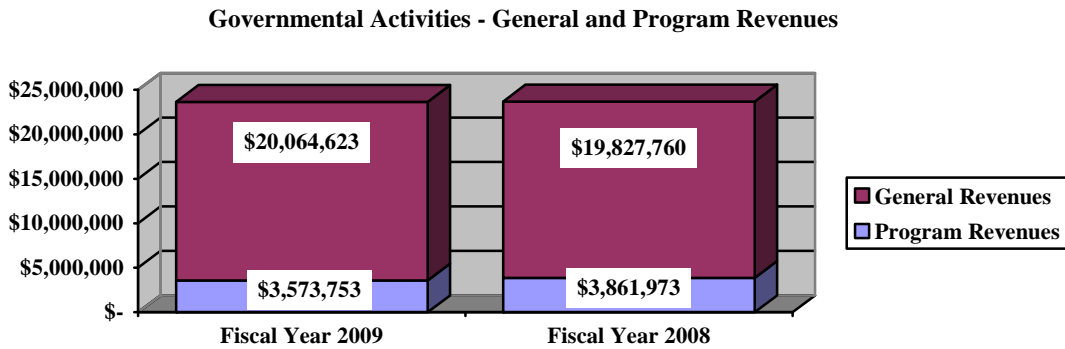
	Governmental Activities			
	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Program expenses				
Instruction:				
Regular	\$ 9,524,639	\$ 8,918,577	\$ 9,631,373	\$ 9,086,036
Special	1,544,952	(42,475)	1,633,785	(438,591)
Vocational	218,447	175,549	198,561	148,944
Other	1,245,246	1,245,246	1,227,506	1,227,506
Support services:				
Pupil	1,062,906	992,206	1,034,966	968,884
Instructional staff	986,931	882,246	1,083,624	973,153
Board of education	17,682	17,682	12,737	12,737
Administration	2,093,839	2,091,288	1,988,842	1,969,307
Fiscal	458,038	458,038	497,338	497,338
Business	31,252	31,252	25,781	25,781
Operations and maintenance	1,991,252	1,955,333	2,218,025	2,214,989
Pupil transportation	1,660,686	1,527,931	1,600,977	1,489,339
Central	393,380	383,588	331,912	320,733
Food service operations	619,417	2,420	637,288	15,687
Operations of non-instructional services	108,979	(3,485)	151,402	38,150
Extracurricular activities	530,100	278,597	608,091	470,242
Interest and fiscal charges	<u>394,932</u>	<u>394,932</u>	<u>381,273</u>	<u>381,273</u>
Total expenses	<u>\$ 22,882,678</u>	<u>\$ 19,308,925</u>	<u>\$ 23,263,481</u>	<u>\$ 19,401,508</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The dependence upon tax and other general revenues for governmental activities is apparent, 82.16% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.38%. The District's taxpayers and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2009 and 2008.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$6,582,911, which is higher than last year's total of \$5,473,930. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	<u>Increase</u>
General	\$ 2,237,856	\$ 1,738,874	\$ 498,982
Other Governmental	<u>4,345,055</u>	<u>3,735,056</u>	<u>609,999</u>
Total	<u>\$ 6,582,911</u>	<u>\$ 5,473,930</u>	<u>\$ 1,108,981</u>

General Fund

The District's general fund's fund balance increased by \$498,982. The increase in fund balance can be attributed to slightly decreasing revenues still being more than decreased expenditures.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,970,865	\$ 5,867,029	1.77 %
Tuition	769,685	1,151,936	(33.18) %
Earnings on investments	66,089	258,421	(74.43) %
Intergovernmental	13,188,256	13,120,213	0.52 %
Other revenues	<u>338,220</u>	<u>249,108</u>	35.77 %
 Total	 <u>\$ 20,333,115</u>	 <u>\$ 20,646,707</u>	 (1.52) %
<u>Expenditures</u>			
Instruction	11,207,831	11,498,513	(2.53) %
Support services	8,166,949	8,217,162	(0.61) %
Extracurricular activities	356,789	350,419	1.82 %
Debt service	<u>-</u>	<u>693</u>	(100.00) %
 Total	 <u>\$ 19,731,569</u>	 <u>\$ 20,066,787</u>	 (1.67) %

Revenues of the general fund decreased slightly during the fiscal year primarily due to the decrease in tuition revenue and the decrease in earnings on investment revenues. Declining enrollment has resulted in reduced expenditures of instruction and support services. Tuition collections decreased in 2009 due to a decrease in revenues related to open enrollment, and tuition from other districts. Intergovernmental revenue increased .52% from the prior year due to HB 66, which phases out the tax on tangible personal property of general businesses. The District is reimbursed for this lost revenue from the State, which is the primary reason intergovernmental revenues increased. This reimbursement will be phased out in calendar years 2011-2017. Expenditures related to extracurricular activities increased due to a slight increase in salaries and benefits as well as an increase in miscellaneous extracurricular purchased services. Debt service expenditures decreased due to the District having liquidating some capital during the year. The District has made a conscious effort to decrease expenditures and has replaced personnel only where needed when staff retired or resigned. This effort has resulted in a minimal overall decrease in expenditures.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 2009, the District amended its general fund budget several times. For the general fund, original revenues and other financing sources were \$21,606,531. The final budgeted revenues and other financing sources were decreased to \$21,397,842. Actual revenues and other financing sources for fiscal year 2009 were \$20,265,280. This represents a \$1,132,562 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures and other financing uses) of \$25,867,437 were decreased to \$25,658,748 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$20,680,979, which was \$4,977,769 less than the final budget appropriations. The District appropriated the available cash, but didn't expend it all. The balance remains in carryover.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$23,799,154 invested in land, land improvements, buildings, furniture and equipment and vehicles. The entire amount is reported in governmental activities. The following table shows fiscal year 2009 balances compared to 2008:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 1,586,606	\$ 1,586,606
Land improvements	1,130,592	1,150,672
Buildings	19,095,158	19,604,145
Furniture and equipment	1,245,060	1,229,594
Vehicles	<u>741,738</u>	<u>801,442</u>
Total	<u>\$ 23,799,154</u>	<u>\$ 24,372,459</u>

The overall decrease in capital assets of \$573,305 is due to depreciation expense of \$881,218 and disposals of \$7,110 (net of accumulated depreciation) exceeding capital outlays of \$315,023.

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

Debt Administration

At June 30, 2009, the District had \$6,786,013 in general obligation bonds outstanding and \$27,607 in EPA asbestos loan outstanding. Of this total, \$341,241 is due within one year and \$6,472,379 is due within greater than one year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
General obligation bonds	\$ 6,786,013	\$ 7,054,727
EPA asbestos loan	<u>27,607</u>	<u>34,508</u>
Total	<u>\$ 6,813,620</u>	<u>\$ 7,089,235</u>

At June 30, 2009, the District's overall legal debt margin was \$21,912,381 with an unvoted debt margin of \$308,382.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

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

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

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

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 9,015,546
Investments in segregated accounts.	26,480
Receivables:	
Taxes	6,987,275
Accounts	16,599
Intergovernmental	99,171
Accrued interest	14,770
Loans	2,543
Materials and supplies inventory	48,077
Capital assets:	
Land	1,586,606
Depreciable capital assets, net	<u>22,212,548</u>
Capital assets, net.	<u>23,799,154</u>
 Total assets.	 <u>40,009,615</u>
Liabilities:	
Accounts payable.	90,194
Accrued wages and benefits	2,434,653
Matured compensated absences payable	75,782
Early retirement incentive payable	40,000
Pension obligation payable.	514,921
Intergovernmental payable	93,226
Unearned revenue.	6,032,541
Accrued interest payable	41,951
Long-term liabilities:	
Due within one year.	435,538
Due in more than one year	<u>7,385,587</u>
 Total liabilities	 <u>17,144,393</u>
Net assets:	
Invested in capital assets, net of related debt.	17,377,547
Restricted for:	
Capital projects	2,691,377
Debt service.	533,858
Perpetual care:	
Expendable	9,826
Nonexpendable	26,480
Classroom facilities maintenance	934,125
State funded programs	9,300
Federally funded programs	6,300
Other purposes	463,512
Unrestricted.	<u>812,897</u>
 Total net assets	 <u>\$ 22,865,222</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 9,524,639	\$ 498,989	\$ 107,073	\$ -	\$ (8,918,577)
Special	1,544,952	415,068	1,172,359	-	42,475
Vocational	218,447	-	42,898	-	(175,549)
Other	1,245,246	-	-	-	(1,245,246)
Support services:					
Pupil	1,062,906	370	70,330	-	(992,206)
Instructional staff	986,931	2,784	101,901	-	(882,246)
Board of education	17,682	-	-	-	(17,682)
Administration	2,093,839	6	2,545	-	(2,091,288)
Fiscal	458,038	-	-	-	(458,038)
Business	31,252	-	-	-	(31,252)
Operations and maintenance	1,991,252	6,333	-	29,586	(1,955,333)
Pupil transportation	1,660,686	3,281	106,599	22,875	(1,527,931)
Central	393,380	-	9,792	-	(383,588)
Operation of non-instructional services:					
Food service operations	619,417	407,102	209,895	-	(2,420)
Other non-instructional services	108,979	-	112,464	-	3,485
Extracurricular activities	530,100	243,365	8,138	-	(278,597)
Interest and fiscal charges	394,932	-	-	-	(394,932)
Total governmental activities	\$ 22,882,678	\$ 1,577,298	\$ 1,943,994	\$ 52,461	(19,308,925)
General revenues:					
Property taxes levied for:					
General purposes					6,000,467
Special revenue					123,327
Debt service					654,868
Capital projects					423,485
Grants and entitlements not restricted to specific programs					12,719,075
Investment earnings					91,782
Miscellaneous					51,619
Total general revenues					20,064,623
Change in net assets					755,698
Net assets at beginning of year					22,109,524
Net assets at end of year					\$ 22,865,222

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 4,334,594	\$ 4,399,084	\$ 8,733,678
Investments in segregated accounts	-	26,480	26,480
Receivables:			
Taxes	5,887,093	1,100,182	6,987,275
Accounts	15,865	734	16,599
Intergovernmental	-	99,171	99,171
Accrued interest	14,411	359	14,770
Interfund receivable	71,391	-	71,391
Loans	2,543	-	2,543
Materials and supplies inventory	15,269	32,808	48,077
Restricted assets:			
Equity in pooled cash and investments	281,868	-	281,868
Total assets	\$ 10,623,034	\$ 5,658,818	\$ 16,281,852
Liabilities:			
Accounts payable	\$ 84,330	\$ 5,864	\$ 90,194
Accrued wages and benefits	2,264,631	170,022	2,434,653
Matured compensated absences payable.	75,782	-	75,782
Early retirement incentive payable.	40,000	-	40,000
Pension obligation payable.	467,242	47,679	514,921
Intergovernmental payable	88,270	4,956	93,226
Interfund payable.	-	71,391	71,391
Deferred revenue	283,247	62,986	346,233
Unearned revenue.	5,081,676	950,865	6,032,541
Total liabilities	8,385,178	1,313,763	9,698,941
Fund balances:			
Reserved for encumbrances	685,352	198,697	884,049
Reserved for materials and supplies inventory	15,269	32,808	48,077
Reserved for tax revenue unavailable for appropriation	536,881	101,604	638,485
Reserved for endowments	-	26,480	26,480
Reserved for textbooks.	262,573	-	262,573
Reserved for bus purchases	19,295	-	19,295
Unreserved, undesignated, reported in:			
General fund.	718,486	-	718,486
Permanent fund	-	9,600	9,600
Special revenue funds.	-	1,004,099	1,004,099
Debt service fund	-	494,840	494,840
Capital projects funds.	-	2,476,927	2,476,927
Total fund balances	2,237,856	4,345,055	6,582,911
Total liabilities and fund balances.	\$ 10,623,034	\$ 5,658,818	\$ 16,281,852

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$	6,582,911
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			23,799,154
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	316,549	
Intergovernmental receivable		15,047	
Accrued interest receivable		14,637	
Total			346,233
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(41,951)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(6,786,013)	
Asbestos removal loan		(27,607)	
Compensated absences payable		(1,007,505)	
Total			(7,821,125)
Net assets of governmental activities		\$	22,865,222

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 5,970,865	\$ 1,197,040	\$ 7,167,905
Tuition.	769,685	-	769,685
Transportation fees.	3,281	-	3,281
Charges for services.	-	402,343	402,343
Earnings on investments.	66,089	11,343	77,432
Extracurricular.	2,450	88,827	91,277
Classroom materials and fees.	-	117,173	117,173
Other local revenues.	332,489	80,293	412,782
Intergovernmental - state	13,188,256	402,174	13,590,430
Intergovernmental - federal.	-	1,028,396	1,028,396
Total revenue	<u>20,333,115</u>	<u>3,327,589</u>	<u>23,660,704</u>
Expenditures:			
Current:			
Instruction:			
Regular	8,676,385	239,844	8,916,229
Special.	1,075,914	459,100	1,535,014
Vocational.	218,192	-	218,192
Other	1,237,340	-	1,237,340
Support services:			
Pupil.	987,203	69,822	1,057,025
Instructional staff	871,538	113,389	984,927
Board of education	17,682	-	17,682
Administration.	2,040,673	53,419	2,094,092
Fiscal	415,435	45,725	461,160
Business	31,252	-	31,252
Operations and maintenance.	1,993,286	16,356	2,009,642
Pupil transportation	1,421,758	78,563	1,500,321
Central.	388,122	11,722	399,844
Operation of non-instructional services:			
Food service operations	-	623,772	623,772
Other non-instructional services	-	104,470	104,470
Extracurricular activities.	356,789	158,576	515,365
Facilities acquisition and construction	-	196,170	196,170
Debt service:			
Principal retirement	-	346,901	346,901
Interest and fiscal charges	-	306,662	306,662
Total expenditures	<u>19,731,569</u>	<u>2,824,491</u>	<u>22,556,060</u>
Excess of revenues over expenditures	<u>601,546</u>	<u>503,098</u>	<u>1,104,644</u>
Other financing sources (uses):			
Transfers in.	-	377,364	377,364
Transfers (out)	(106,901)	(270,463)	(377,364)
Total other financing sources (uses).	<u>(106,901)</u>	<u>106,901</u>	<u>-</u>
Net change in fund balances	494,645	609,999	1,104,644
Fund balances at beginning of year.	1,738,874	3,735,056	5,473,930
Increase in reserve for inventory	4,337	-	4,337
Fund balances at end of year	<u>\$ 2,237,856</u>	<u>\$ 4,345,055</u>	<u>\$ 6,582,911</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds	\$	1,104,644
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.</p>		
Capital asset additions	\$ 315,023	
Current year depreciation	<u>(881,218)</u>	
Total		(566,195)
<p>The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.</p>		
		(7,110)
<p>In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.</p>		
Increase in accrued interest payable	(16,984)	
Accreted interest on "capital appreciation" bonds	<u>(71,286)</u>	
Total		(88,270)
<p>Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.</p>		
		4,337
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	34,242	
Intergovernmental revenue	(71,080)	
Accrued interest	<u>14,510</u>	
Total		(22,328)
<p>Repayment of bonds and loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		346,901
<p>Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>(16,281)</u>
Change in net assets of governmental activities	\$	<u>755,698</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 6,007,929	\$ 5,949,900	\$ 5,634,979	\$ (314,921)
Tuition	881,966	873,447	827,217	(46,230)
Transportation fees	4,178	4,138	3,919	(219)
Earnings on investments	70,463	69,783	66,089	(3,694)
Extracurricular	2,612	2,587	2,450	(137)
Other local revenues	301,533	298,621	282,815	(15,806)
Intergovernmental - state	14,168,816	14,031,965	13,289,270	(742,695)
Total revenue	<u>21,437,497</u>	<u>21,230,441</u>	<u>20,106,739</u>	<u>(1,123,702)</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,867,111	10,779,440	8,688,240	2,091,200
Special	1,336,704	1,325,920	1,068,693	257,227
Vocational	282,527	280,248	225,880	54,368
Other	1,545,340	1,532,873	1,235,497	297,376
Support services:				
Pupil	1,235,636	1,225,667	987,889	237,778
Instructional staff	1,120,286	1,111,248	895,667	215,581
Board of education	22,507	22,325	17,994	4,331
Administration	2,576,605	2,555,818	2,059,992	495,826
Fiscal	543,409	539,025	434,455	104,570
Business	39,090	38,774	31,252	7,522
Operations and maintenance	2,825,899	2,803,100	2,259,302	543,798
Pupil transportation	2,038,364	2,021,919	1,629,669	392,250
Central	672,015	666,593	537,275	129,318
Extracurricular activities	451,275	447,635	360,794	86,841
Total expenditures	<u>25,556,768</u>	<u>25,350,585</u>	<u>20,432,599</u>	<u>4,917,986</u>
Excess of expenditures over revenues	<u>(4,119,271)</u>	<u>(4,120,144)</u>	<u>(325,860)</u>	<u>3,794,284</u>
Other financing sources (uses):				
Refund of prior year expenditure	371	367	348	(19)
Transfers (out)	(133,710)	(132,631)	(106,901)	25,730
Advances in	129,228	127,980	121,206	(6,774)
Advances (out)	(89,163)	(88,444)	(71,286)	17,158
Refund of prior year receipt	(87,796)	(87,088)	(70,193)	16,895
Sale of capital assets	39,435	39,054	36,987	(2,067)
Total other financing sources (uses)	<u>(141,635)</u>	<u>(140,762)</u>	<u>(89,839)</u>	<u>50,923</u>
Net change in fund balance	(4,260,906)	(4,260,906)	(415,699)	3,845,207
Fund balance at beginning of year	3,794,602	3,794,602	3,794,602	-
Prior year encumbrances appropriated . . .	466,304	466,304	466,304	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,845,207</u>	<u>\$ 3,845,207</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments.	\$ 769	\$ 81,579
Investments in segregated accounts.	12,354	-
Receivables:		
Accounts	-	2,836
Accrued interest	<u>8</u>	<u>-</u>
Total assets	<u>13,131</u>	<u>\$ 84,415</u>
Liabilities:		
Accounts payable.	-	\$ 3,356
Loan	-	2,543
Due to students	<u>-</u>	<u>78,516</u>
Total liabilities	<u>-</u>	<u>\$ 84,415</u>
Net assets:		
Held in trust for scholarships	<u>13,131</u>	
Total net assets	<u>\$ 13,131</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Private-Purpose Trust	
	Scholarship	
Additions:		
Interest	\$	309
Gifts and contributions.		65
		374
Total additions.		374
Deductions:		
Scholarships awarded		100
		274
Change in net assets		274
Net assets at beginning of year		12,857
Net assets at end of year.	\$	13,131

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a locally elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board controls the District's four instructional/support facilities staffed by 117 non-certified employees and 170 certified full time teaching and support personnel who provide services to 2,187 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

The District is a member of SPARCC. SPARCC is the computer service organization or Data Acquisition Site (DAS) used by the School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges and assessments as charged. A Board made up of superintendents from all of the participating school districts governs SPARCC. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the general fund. During the fiscal year, the District contributed \$68,040 to SPARCC.

Portage County School Consortium (the "Consortium")

The District is a member of the Portage County School Consortium, a insurance group-purchasing consortium made up of thirteen districts in Portage County. All member districts pay an insurance premium directly to the Consortium. The District paid \$2,344,634 in the form of health care premiums to the Consortium during the fiscal year.

Maplewood Career Center (the "Center")

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

D. Basis of Accounting

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

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

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2009, are recorded as deferred revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

E. Budgets

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

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2009. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

F. Cash and Investments

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

During fiscal year 2009, investments were limited to nonnegotiable certificates of deposit and overnight repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the building capital projects fund (a nonmajor governmental fund), or certain trust funds individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$66,089, which includes \$26,702 assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	40 - 50 years
Buildings	30 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 20 years

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

I. Interfund Balances

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

J. Compensated Absences

GASB Statement No. 16, "Accounting for Compensated Absences", specifies the method used to accrue liabilities for leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

M. Net Assets

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

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

N. Estimates

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. Restricted assets also include monies received from the State that are restricted for school bus purchases and textbooks. Fund balances reserves have also been established (see Note 15).

P. Interfund Activity

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service fund	\$ 1,435
Athletics fund	30,129
Title VI-B	6,183
Title I	886
Drug free schools	542

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$7,294,549, exclusive of the \$1,839,809 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$6,815,828 of the District's bank balance of \$7,554,663 was exposed to custodial risk as discussed below, while \$738,835 was covered by the FDIC.

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

C. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment types</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreement	\$ 1,839,809	\$ 1,839,809
Total	<u>\$ 1,839,809</u>	<u>\$ 1,839,809</u>

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

Credit Risk: The federal agency securities that underlie the repurchase agreement, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$1,839,809 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment types</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 1,839,809	100.00
Total	<u>\$ 1,839,809</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,294,549
Investments	1,839,809
Cash on hand	<u>2,370</u>
Total	<u>\$ 9,136,728</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 9,042,026
Private-purpose trust funds	13,123
Agency funds	<u>81,579</u>
Total	<u>\$ 9,136,728</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following individual interfund receivable and payable, the receivable from the agency fund is reported as a loan receivable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 71,391
General	Agency	2,543

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009, are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$ 106,901
 <u>Transfers to nonmajor governmental funds from:</u>	
Nonmajor governmental funds	270,463

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

During the current fiscal year the classroom facilities fund (a nonmajor governmental fund) transferred funds to the permanent improvement fund (a nonmajor governmental fund) for the closing of the Ohio School Facilities Commission project.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Portage County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$536,881 in the general fund, \$10,624 in the classroom facilities maintenance fund (a nonmajor governmental fund), \$57,178 in the debt service fund (a nonmajor governmental fund) and \$33,802 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2008 was \$200,995 in the general fund, \$3,984 in the classroom facilities maintenance fund (a nonmajor governmental fund), \$21,507 in the debt service fund (a nonmajor governmental fund) and \$12,667 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 293,195,980	95.58	\$ 298,775,630	96.62
Public utility personal	9,317,870	3.04	9,620,930	3.11
Tangible personal property	<u>4,239,268</u>	<u>1.38</u>	<u>832,435</u>	<u>0.27</u>
Total	<u>\$ 306,753,118</u>	<u>100.00</u>	<u>\$ 309,228,995</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$51.14		\$51.13	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, intergovernmental grants and entitlements, and loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 6,987,275
Accounts	16,599
Intergovernmental	99,171
Accrued interest	14,770
Loans	<u>2,543</u>
Total	<u>\$ 7,120,358</u>

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

See Note 5 for interfund receivables.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Disposals	Balance June 30, 2009
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,586,606	\$ -	\$ -	\$ 1,586,606
Total capital assets, not being depreciated	<u>1,586,606</u>	<u>-</u>	<u>-</u>	<u>1,586,606</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,198,519	11,683	-	1,210,202
Buildings	23,625,960	-	-	23,625,960
Furniture and equipment	3,238,477	140,075	(228,426)	3,150,126
Vehicles	<u>2,597,997</u>	<u>163,265</u>	<u>(179,819)</u>	<u>2,581,443</u>
Total capital assets, being depreciated	<u>30,660,953</u>	<u>315,023</u>	<u>(408,245)</u>	<u>30,567,731</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(47,847)	(31,763)	-	(79,610)
Building	(4,021,815)	(508,987)	-	(4,530,802)
Furniture and equipment	(2,008,883)	(122,501)	226,318	(1,905,066)
Vehicles	<u>(1,796,555)</u>	<u>(217,967)</u>	<u>174,817</u>	<u>(1,839,705)</u>
Total accumulated depreciation	<u>(7,875,100)</u>	<u>(881,218)</u>	<u>401,135</u>	<u>(8,355,183)</u>
Total capital assets, depreciated, net	<u>22,785,853</u>	<u>(566,195)</u>	<u>(7,110)</u>	<u>22,212,548</u>
Governmental activities capital assets, net	<u>\$ 24,372,459</u>	<u>\$ (566,195)</u>	<u>\$ (7,110)</u>	<u>\$ 23,799,154</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 599,395
Special	3,174

Support services:

Pupil	2,822
Instructional staff	6,289
Administration	8,765
Fiscal	1,300
Operations and maintenance	19,436
Pupil transportation	221,517
Central	591
Operation of non-instructional services	1,350
Extracurricular activities	14,735
Food service operations	<u>1,844</u>
Total depreciation expense	<u>\$ 881,218</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amount
	June 30, 2008	Increase	Decrease	June 30, 2009	Due in One Year
<u>General obligation bonds:</u>					
2001 School Improvements, 5.00%					
Serial and term bonds	\$ 6,335,110	\$ -	\$ (330,000)	\$ 6,005,110	\$ -
Capital appreciation bonds	233,890	-	-	233,890	123,898
Accreted interest	313,619	69,707	-	383,326	201,103
2001 Site Acquisition, 5.00%					
Serial and term bonds	160,000	-	(10,000)	150,000	-
Capital appreciation bonds	5,000	-	-	5,000	2,702
Accreted interest	7,108	1,579	-	8,687	6,637
	<u>7,054,727</u>	<u>71,286</u>	<u>(340,000)</u>	<u>6,786,013</u>	<u>334,340</u>
<u>Other liabilities:</u>					
EPA asbestos removal loan	34,508	-	(6,901)	27,607	6,901
Compensated absences	991,224	187,513	(171,232)	1,007,505	94,297
	<u>1,025,732</u>	<u>187,513</u>	<u>(178,133)</u>	<u>1,035,112</u>	<u>101,198</u>
Total	<u>\$ 8,080,459</u>	<u>\$ 258,799</u>	<u>\$ (518,133)</u>	<u>\$ 7,821,125</u>	<u>\$ 435,538</u>

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

B. Early Retirement Incentive

The District provides an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS Ohio) employees. Employees who enroll in the early retirement incentive plan must declare the intention to retire the last day of the first semester of the year in which they plan to retire and retire July 1 of the same year. The one time cash payment of \$10,000 shall be paid in two installments \$5,000 in the retiring calendar year and \$5,000 in the following calendar year. Four employees took advantage of the early retirement incentive in fiscal year 2009. These one-time cash payments will be made in July 2009 and January 2010. A liability for the early retirement incentive payments has been recorded in the fund financial statements and the statement of net assets.

- C. In fiscal year 2001, the District issued bonds for the site acquisition and construction of classroom facilities in the amount of \$210,000 and \$8,474,000, respectively. Each of the bond issues will mature on December 1, 2023. All bonds are general obligation bonds for which the full faith and credit of the District is pledged and will be paid from property taxes in the debt service fund. Both bond issues include serial, term and capital appreciation bonds. Current year additions amounted to \$71,286 which represents the accretion of discounted interest. The final maturity amounts of the classroom facilities and site acquisition capital appreciation bonds will be \$695,000 and \$15,000, respectively.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ -	\$ 299,607	\$ 299,607	\$ 126,600	\$ 228,400	\$ 355,000
2011	-	299,607	299,607	112,290	242,710	355,000
2012	355,000	291,709	646,709	-	-	-
2013	370,000	275,392	645,392	-	-	-
2014	385,000	258,024	643,024	-	-	-
2015 - 2019	2,225,000	988,442	3,213,442	-	-	-
2020 - 2024	2,820,110	366,250	3,186,360	-	-	-
Total	<u>\$ 6,155,110</u>	<u>\$ 2,779,031</u>	<u>\$ 8,934,141</u>	<u>\$ 238,890</u>	<u>\$ 471,110</u>	<u>\$ 710,000</u>

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

Fiscal Year Ending June 30,	EPA Asbestos Removal Loan	
	Principal	Total
2010	\$ 6,901	\$ 6,901
2011	6,901	6,901
2012	6,901	6,901
2013	<u>6,904</u>	<u>6,904</u>
Total	<u>\$ 27,607</u>	<u>\$ 27,607</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$21,912,381 (including available funds of \$552,018) and an unvoted debt margin of \$308,382.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past four years.

A. Property and Liability

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

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

As part of the Property and Casualty Insurance Pool, the District contracted with Ohio Casualty Insurance for property, employee bonding, and for general liability insurance during fiscal year 2009.

B. Workers' Compensation

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

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

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$286,618, \$287,108 and \$297,986, respectively; 44.78 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$1,255,861, \$1,221,655 and \$1,209,825, respectively; 83.47 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$13,605 made by the District and \$12,957 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$177,848, \$175,245 and \$158,263, respectively; 44.78 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$23,648, \$20,687 and \$20,263, respectively; 44.78 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$96,605, \$93,973 and \$93,063, respectively; 83.47 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ (415,699)
Net adjustment for revenue accruals	226,376
Net adjustment for expenditure accruals	(70,225)
Net adjustment for other sources/uses	(17,062)
Adjustment for encumbrances	<u>771,255</u>
GAAP basis	<u>\$ 494,645</u>

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2009.

B. Litigation

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

NOTE 15 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2008	\$ 120,576	\$ -
Current year set-aside requirement	374,591	374,591
Current year offsets	-	(464,273)
Qualifying disbursements	<u>(232,594)</u>	<u>-</u>
Total	<u>\$ 262,573</u>	<u>\$ (89,682)</u>
Balance carried forward to fiscal year 2010	<u>\$ 262,573</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 15 - STATUTORY RESERVES - (Continued)

The District did not have enough qualifying disbursements to reduce the set-aside amount below zero for the textbooks/instructional materials. Restricted cash fund balance and a reservation of fund balance has been established in the general fund of \$262,573.

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

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases. The balance in the monies restricted for school bus purchases was \$19,295 at June 30, 2009. This balance is reported as restricted equity in pooled cash and investments and reserved fund balance.

A schedule of the restricted assets at June 30, 2009 follows:

Amounts restricted for textbooks	\$ 262,573
Amounts restricted for bus purchase	<u>19,295</u>
Total restricted assets	<u>\$ 281,868</u>

Crestwood Local School District

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Report Letters

June 30, 2009

CRESTWOOD LOCAL SCHOOL DISTRICT

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 21, 2009

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Crestwood Local School District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified internal control matters we reported to the management of Crestwood Local School District in a separate letter dated December 21, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crestwood Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances that we have reported to management of Crestwood Local School District in a separate letter dated December 21, 2009.

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

Hea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 21, 2009

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

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

Compliance

We have audited the compliance of the Crestwood Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. Crestwood Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the Crestwood Local School District's management. Our responsibility is to express an opinion on Crestwood Local School District's compliance based on our audit.

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

In our opinion, Crestwood Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

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

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving the internal control over compliance, which we have reported to management of the Crestwood Local School District in a separate letter dated December 21, 2009.

Schedule of Expenditures of Federal Awards – Cash Basis

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestwood Local School District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 21, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements of the Crestwood Local School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

CRESTWOOD LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Program Year	Federal Receipts	Federal Disbursements
U. S. Department of Education (Passed Through Ohio Department of Education):				
Title I	84.010	2008	\$ 26,265	\$ 24,309
Title I	84.010	2009	185,153	177,068
Title I - Delinquent	84.010	2009	48,667	48,667
Total Title I			<u>260,085</u>	<u>250,044</u>
Special Education Cluster:				
IDEA-B	84.027	2008	102,054	92,894
IDEA-B	84.027	2009	323,859	306,039
Total IDEA-B			<u>425,913</u>	<u>398,933</u>
Preschool Special Education	84.173	2009	3,000	3,000
Total Special Education Cluster			<u>428,913</u>	<u>401,933</u>
Title IV-A Safe and Drug-Free Schools	84.186	2008	572	0
Title IV-A Safe and Drug-Free Schools	84.186	2009	3,660	1,914
Total Safe and Drug-Free Schools and Communities			<u>4,233</u>	<u>1,914</u>
Title V Innov	84.298	2009	381	112
Total Title V Innov			<u>381</u>	<u>112</u>
Title II-D Technology	84.318	2008	385	0
Title II-D Technology	84.318	2009	265	85
Total Title II-D Technology			<u>650</u>	<u>85</u>
Title II-A	84.367	2008	14,664	13,762
Title II-A	84.367	2009	82,754	72,142
Total Title II-A			<u>97,418</u>	<u>85,904</u>
Total Department of Education			<u>791,679</u>	<u>739,992</u>
U. S. Department of Agriculture (Passed Through Ohio Department of Education):				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program (A) (B)	10.555		29,320	29,320
Cash Assistance:				
National School Lunch Program (B)	10.555		175,437	175,437
Total Nutrition Cluster			<u>204,757</u>	<u>204,757</u>
Total Department of Agriculture			<u>204,757</u>	<u>204,757</u>
Total Federal Assistance			<u>\$ 996,436</u>	<u>\$ 944,749</u>

See Notes to Schedule of Expenditures of Federal Awards

**Crestwood Local School District
Portage County, Ohio**

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2009*

Note A - Child Nutrition Cluster

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

Note B – Food Donation Program

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

Note C - Transfers

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2009, the ODE authorized the following transfers:

<u>CFDA</u>		<u>Program</u>		
<u>Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.298	Title V - State Grants for Innovative Programs	2008	107	
84.298	Title V - State Grants for Innovative Programs	2009		107
84.318	Title II-D - Education Technology	2008	62	
84.318	Title II-D - Education Technology	2009		62

**CRESTWOOD LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS	
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(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Nutrition Cluster #10.555 Title II- A #84.367
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None noted.



**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

December 21, 2009

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on March 3, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;

- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Rea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 16, 2010