

**CRESTVIEW LOCAL
SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2006***

CHRISTINA BENNETT, TREASURER

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Mary Taylor, CPA
Auditor of State

Board of Education
Crestview Local School District
1575 St. Rt. 96
Ashland, Ohio 44805

We have reviewed the *Independent Auditor's Report* of the Crestview Local School District, Richland County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. 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 Crestview Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 10, 2007

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**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Crestview Local School District
1575 St. Rt. 96
Ashland, Ohio 44805

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Crestview Local School District, Richland County, Ohio as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof 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 November 2, 2006, on our consideration of the District's internal control over financial reporting and on 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.

Board of Education
Crestview Local School District

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 2, 2006

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The management's discussion and analysis of the Crestview 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, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities decreased \$1,958,423 which represents a 7.07% decrease from 2005.
- General revenues accounted for \$9,173,225 in revenue or 87.37% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,325,897 or 12.63% of total revenues of \$10,499,122.
- The District had \$11,807,188 in expenses related to governmental activities; \$1,325,897 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 \$9,173,225 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and classroom facilities fund. The general fund had \$8,818,094 in revenues and \$8,948,228 in expenditures. During fiscal year 2006, the general fund's fund balance decreased \$130,134 from \$3,208,902 to \$3,078,768.
- The District's debt service fund had \$398,925 in revenues and \$458,639 in expenditures. During fiscal year 2006, the debt service fund's fund balance decreased \$59,714 from \$791,563 to \$731,849.
- The District's classroom facilities fund had \$2,351,414 in revenues and \$8,286,097 in expenditures and other financing uses. During fiscal year 2006, the classroom facilities fund's fund balance decreased \$5,934,683 from \$6,304,733 to \$370,050.

Using these Basic Financial Statements

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, debt service fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 2006?" 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 takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The basic proprietary fund financial statements can be found on pages 20-21 of this report.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 22 and 23. 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 24-50 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 2006 and 2005.

	Net Assets	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 9,503,236	\$ 17,683,079
Capital assets	<u>25,970,031</u>	<u>19,422,170</u>
Total assets	<u>35,473,267</u>	<u>37,105,249</u>
<u>Liabilities</u>		
Current liabilities	4,684,183	4,198,242
Long-term liabilities	<u>5,053,442</u>	<u>5,212,942</u>
Total liabilities	<u>9,737,625</u>	<u>9,411,184</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	21,465,602	14,668,249
Restricted	1,704,729	10,240,263
Unrestricted	<u>2,565,311</u>	<u>2,785,553</u>
Total net assets	<u>\$ 25,735,642</u>	<u>\$ 27,694,065</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$25,735,642. Of this total, \$2,565,311 is unrestricted in use.

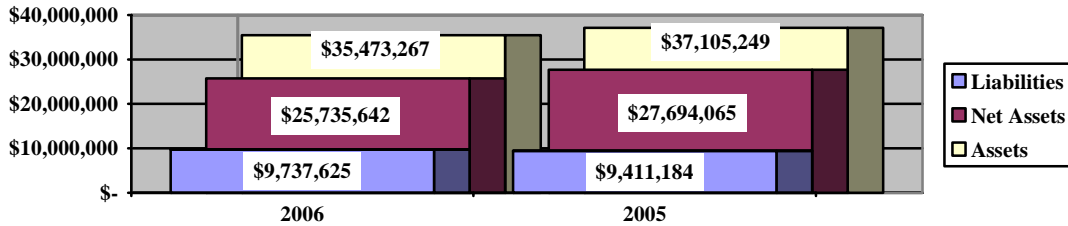
**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

At year-end, capital assets represented 73.21% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$21,465,602. 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, \$1,704,729, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,565,311 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 502,766	\$ 506,779
Operating grants and contributions	810,843	917,556
Capital grants and contributions	12,288	-
General revenues:		
Property taxes	2,264,038	2,615,027
Grants and entitlements	6,572,375	5,829,916
Investment earnings	304,578	226,709
Other	32,234	31,404
Total revenues	<u>10,499,122</u>	<u>10,127,391</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Change in Net Assets

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,538,485	\$ 4,541,515
Special	1,235,681	1,192,614
Vocational	223,206	216,313
Other	59,531	-
Support services:		
Pupil	361,722	348,310
Instructional staff	349,028	369,651
Board of education	83,493	95,085
Administration	679,978	627,558
Fiscal	197,300	189,763
Business	689	2,328
Operations and maintenance	1,104,443	768,611
Pupil transportation	818,520	755,173
Central	59,176	40,825
Food service operations	431,759	439,723
Operations of non-instructional services	16,809	37,748
Extracurricular activities	397,260	423,097
Interest and fiscal charges	<u>250,108</u>	<u>251,959</u>
Total expenses	<u>11,807,188</u>	<u>10,300,273</u>
Special Item	(650,357)	-
Change in net assets	(1,958,423)	(172,882)
Net assets at beginning of year	<u>27,694,065</u>	<u>27,866,947</u>
Net assets at end of year	<u>\$ 25,735,642</u>	<u>\$ 27,694,065</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,958,423. Total governmental expenses of \$11,807,188 were offset by program revenues of \$1,325,897 and general revenues of \$9,173,225. Program revenues supported 11.23% 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 84.16% of total governmental revenue.

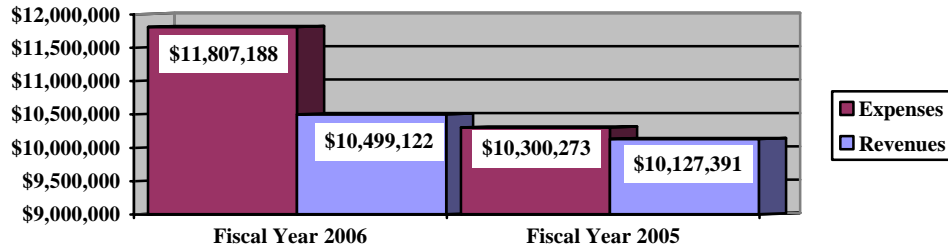
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,056,903 or 59.77% of total governmental expenses for fiscal year 2006.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program expenses				
Instruction:				
Regular	\$ 5,538,485	\$ 5,355,121	\$ 4,541,515	\$ 4,308,052
Special	1,235,681	711,577	1,192,614	633,564
Vocational	223,206	223,206	216,313	216,313
Other	59,531	59,531	-	-
Support services:				
Pupil	361,722	347,454	348,310	332,863
Instructional staff	349,028	288,022	369,651	310,058
Board of education	83,493	82,593	95,085	90,285
Administration	679,978	679,978	627,558	627,558
Fiscal	197,300	197,300	189,763	189,763
Business	689	554	2,328	2,073
Operations and maintenance	1,104,443	1,103,375	768,611	766,426
Pupil transportation	818,520	818,520	755,173	755,173
Central	59,176	45,176	40,825	26,825
Food service operations	431,759	28,716	439,723	27,151
Operations of non-instructional services	16,809	16,809	37,748	37,748
Extracurricular activities	397,260	273,251	423,097	300,127
Interest and fiscal charges	250,108	250,108	251,959	251,959
Total expenses	\$ 11,807,188	\$ 10,481,291	\$ 10,300,273	\$ 8,875,938

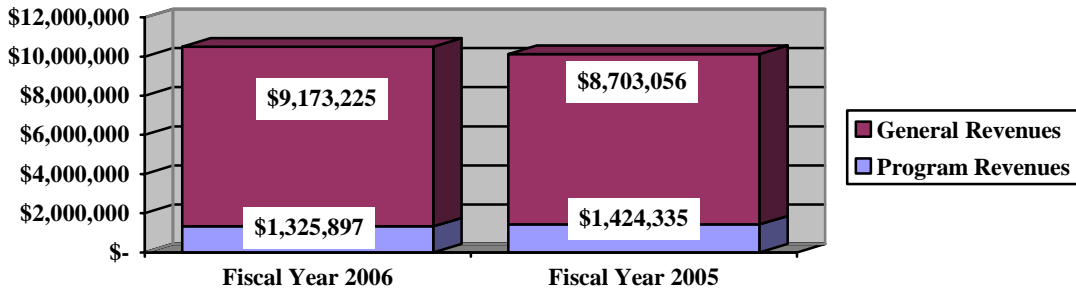
The dependence upon tax and other general revenues for governmental activities is apparent, 89.97% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.77%. The District's taxpayers, as a whole, are by far the primary support for the District's students.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$4,591,760, which is lower than last year's total of \$10,875,892. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	<u>Fund Balance June 30, 2006</u>	<u>Fund Balance June 30, 2005</u>	<u>(Decrease)</u>	<u>Percentage Change</u>
General	\$ 3,078,768	\$ 3,208,902	\$ (130,134)	(4.06) %
Debt Service	731,849	791,563	(59,714)	(7.54) %
Classroom Facilities	370,050	6,304,733	(5,934,683)	(94.13) %
Other Governmental	<u>411,093</u>	<u>570,694</u>	<u>(159,601)</u>	(27.97) %
Total	<u>\$ 4,591,760</u>	<u>\$10,875,892</u>	<u>\$ (6,284,132)</u>	(57.78) %

General Fund

The District's general fund balance decreased \$130,134. The decrease in fund balance can be attributed to several items related to increasing revenues and increasing expenses. Expenditures exceed revenues for fiscal year 2006 by \$130,134. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 1,924,263	\$ 2,131,661	\$ (207,398)	(9.73) %
Earnings on investments	206,389	75,244	131,145	174.29 %
Intergovernmental	6,584,243	6,398,670	185,573	2.90 %
Other revenues	<u>103,199</u>	<u>107,807</u>	<u>(4,608)</u>	(4.27) %
 Total	 <u>\$ 8,818,094</u>	 <u>\$ 8,713,382</u>	 <u>\$ 104,712</u>	 1.20 %
 <u>Expenditures</u>				
Instruction	\$ 5,364,867	\$ 5,051,219	\$ 313,648	6.21 %
Support services	3,308,796	2,953,561	355,235	12.03 %
Non-instructional services	16,809	37,578	(20,769)	(55.27) %
Extracurricular activities	246,319	269,447	(23,128)	(8.58) %
Facilities acquisition and construction	344	4,139	(3,795)	(91.69) %
Debt service	<u>11,093</u>	<u>11,093</u>	<u>-</u>	- %
 Total	 <u>\$ 8,948,228</u>	 <u>\$ 8,327,037</u>	 <u>\$ 621,191</u>	 7.46 %

Debt Service Fund

The District's debt service fund had \$398,925 in revenues and \$458,639 in expenditures. During fiscal year 2006, the debt service fund's fund balance decreased \$59,714 from \$791,563 to \$731,849.

Classroom Facilities Fund

The District's classroom facilities fund had \$2,351,414 in revenues and \$8,286,097 in expenditures and other financing uses. During fiscal year 2006, the classroom facilities fund's fund balance decreased \$5,934,683 from \$6,304,733 to \$370,050.

General Fund Budgeting Highlights

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

During the course of fiscal year 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,706,432 and final budgeted revenues and other financing sources were \$8,744,134. Actual revenues and other financing sources for fiscal year 2006 was \$9,082,301. This represents a \$338,167 increase over final budgeted revenues and other financing sources. The increase is primarily due to the conservative budgeting of taxes and intergovernmental revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$9,104,259 and final appropriations were \$9,170,120. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$9,041,022, which was \$129,098 lower than the final budget appropriations.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the District had \$25,970,031 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal year 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 194,705	\$ 194,705
Land improvements	161,006	156,450
Building and improvements	25,031,867	7,742,247
Furniture and equipment	343,785	148,747
Vehicles	238,668	324,397
Construction in progress	-	10,855,624
 Total	 \$ 25,970,031	 \$ 19,422,170

The overall increase in capital assets of \$6,547,861 is due to capital outlays of \$7,209,768 exceeding depreciation expense of \$655,113 and disposals of \$6,794 (net of accumulated depreciation).

See Note 7 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2006, the District had \$4,615,369 in general obligation bonds and \$14,811 in capital leases outstanding. Of this total, \$265,280 is due within one year and \$4,364,900 is due in greater than one year. The following table summarizes the bonds and leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2006	2005
General obligation bonds	\$ 4,615,369	\$ 4,817,341
Capital leases	14,811	24,303
 Total	 \$ 4,630,180	 \$ 4,841,644

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Current Financial Related Activities

The Crestview School District is in a solid financial position. The District had a carryover available cash balance in the general fund of \$3.7 million as of June 30, 2006. The 5-year financial forecast shows a positive cash balance through fiscal year 2009.

The District, however, is seeing that starting in fiscal year 2007, revenues aren't keeping pace with expenditures. Eventually, the carry over balance of cash will be exhausted. This will become a serious issue as the District will need greater revenues in the future.

Since the District relies on the State for approximately 67% of the general operating revenues, one of the largest challenges facing the district is that of state funding. The State of Ohio was found by the Supreme Court in March 1997 to be operating an unconstitutional education funding system, one that was neither adequate nor equitable. Since State funding isn't sufficient to pay the entire cost of an adequate education, districts are forced to make up those funds with local revenues.

The District renewed a 10.3 mill operating levy in November 2003, which will continue to provide local funds through 2008. The District is looking at possible options for additional local revenue through tax levies. Because the assessed property valuation in the District is low, obtaining adequate funding through local revenues is nearly impossible.

In conclusion, the Board of Education of the Crestview School District is committed to being financially responsible. The Board continues to set fiscal goals each year and implement cost-saving and cost-containing measures in an attempt to have a balanced budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's 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. Tina Bennett, Treasurer, Crestview Local School District, 1575 St. Rt. 96 East, Ashland, Ohio 44805.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 6,177,805
Cash in segregated accounts.	188,918
Receivables:	
Taxes	2,935,704
Accounts	11,504
Intergovernmental	106,198
Accrued interest	49,212
Prepayments	19,901
Materials and supplies inventory	13,994
Capital assets:	
Land	194,705
Depreciable capital assets, net	25,775,326
Capital assets, net.	25,970,031
Total assets.	35,473,267
Liabilities:	
Accounts payable.	9,785
Contracts payable.	330,428
Retainage payable	188,918
Accrued wages and benefits	752,485
Pension obligation payable.	212,247
Intergovernmental payable	692,114
Deferred revenue	2,480,327
Accrued interest payable	17,879
Long-term liabilities:	
Due within one year.	276,314
Due in more than one year	4,777,128
Total liabilities	9,737,625
Net Assets:	
Invested in capital assets, net of related debt.	21,465,602
Restricted for:	
Capital projects	650,651
Debt service.	759,686
Classroom facilities maintenance.	95,941
Locally funded programs	4,524
State funded programs	1,403
Federally funded programs	379
Student activities	18,267
Other purposes	173,878
Unrestricted.	2,565,311
Total net assets	\$ 25,735,642

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 5,538,485	\$ 100,414	\$ 70,662	\$ 12,288	\$ (5,355,121)
Special	1,235,681	8,432	515,672	-	(711,577)
Vocational	223,206	-	-	-	(223,206)
Other	59,531	-	-	-	(59,531)
Support services:					
Pupil	361,722	493	13,775	-	(347,454)
Instructional staff	349,028	1,516	59,490	-	(288,022)
Board of education	83,493	-	900	-	(82,593)
Administration	679,978	-	-	-	(679,978)
Fiscal	197,300	-	-	-	(197,300)
Business	689	135	-	-	(554)
Operations and maintenance	1,104,443	1,068	-	-	(1,103,375)
Pupil transportation	818,520	-	-	-	(818,520)
Central	59,176	-	14,000	-	(45,176)
Operation of non-instructional services:					
Food service operations	431,759	266,699	136,344	-	(28,716)
Other non-instructional services	16,809	-	-	-	(16,809)
Extracurricular activities	397,260	124,009	-	-	(273,251)
Interest and fiscal charges	250,108	-	-	-	(250,108)
Total governmental activities	\$ 11,807,188	\$ 502,766	\$ 810,843	\$ 12,288	(10,481,291)

General Revenues:

Property taxes levied for:	
General purposes	1,868,782
Special revenue	35,285
Debt service	339,205
Capital projects	20,766
Grants and entitlements not restricted to specific programs	
Investment earnings	304,578
Miscellaneous	32,234
Total general revenues	9,173,225

Special item:

Refund to Ohio School Facilities Commission	(650,357)
Total general revenues and special item	8,522,868
Change in net assets	(1,958,423)

Net assets at beginning of year	27,694,065
Net assets at end of year	\$ 25,735,642

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 3,657,610	\$ 696,749	\$ 1,297,114	\$ 473,487	\$ 6,124,960
Cash in segregated accounts	-	-	188,918	-	188,918
Receivables:					
Taxes	2,334,993	415,276	-	185,435	2,935,704
Accounts	11,504	-	-	-	11,504
Intergovernmental	8,730	-	-	97,468	106,198
Accrued interest	49,212	-	-	-	49,212
Prepayments	19,901	-	-	-	19,901
Materials and supplies inventory	7,159	-	-	6,835	13,994
Restricted assets:					
Equity in pooled cash and cash equivalents.	52,845	-	-	-	52,845
Total assets	<u>\$ 6,141,954</u>	<u>\$ 1,112,025</u>	<u>\$ 1,486,032</u>	<u>\$ 763,225</u>	<u>\$ 9,503,236</u>
Liabilities:					
Accounts payable	\$ 8,705	\$ -	\$ 341	\$ 739	\$ 9,785
Contracts payable	-	-	276,366	54,062	330,428
Retainage payable	-	-	188,918	-	188,918
Accrued wages and benefits	652,805	-	-	99,680	752,485
Pension obligation payable	189,452	-	-	22,795	212,247
Intergovernmental payable.	37,542	-	650,357	4,215	692,114
Deferred revenue.	2,174,682	380,176	-	170,641	2,725,499
Total liabilities	<u>3,063,186</u>	<u>380,176</u>	<u>1,115,982</u>	<u>352,132</u>	<u>4,911,476</u>
Fund Balances:					
Reserved for encumbrances	51,145	-	-	4,503	55,648
Reserved for materials and supplies inventory.	7,159	-	-	6,835	13,994
Reserved for prepayments	19,901	-	-	-	19,901
Reserved for property tax unavailable for appropriation	180,025	32,201	-	14,454	226,680
Reserved for debt service	-	699,648	-	-	699,648
Reserved for BWC refunds.	32,798	-	-	-	32,798
Reserved for school bus purchase	20,047	-	-	-	20,047
Unreserved:					
Designated for budget stabilization	121,033	-	-	-	121,033
Undesignated, reported in:					
General fund	2,646,660	-	-	-	2,646,660
Special revenue funds	-	-	-	259,835	259,835
Capital projects funds	-	-	370,050	125,466	495,516
Total fund balances	<u>3,078,768</u>	<u>731,849</u>	<u>370,050</u>	<u>411,093</u>	<u>4,591,760</u>
Total liabilities and fund balances	<u>\$ 6,141,954</u>	<u>\$ 1,112,025</u>	<u>\$ 1,486,032</u>	<u>\$ 763,225</u>	<u>\$ 9,503,236</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$	4,591,760
<i>Amounts reported for governmental activities in 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.			25,970,031
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	195,960	
Accrued interest		49,212	
Total			245,172
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(423,262)	
Capital lease		(14,811)	
General obligation bonds payable		(4,615,369)	
Accrued interest payable		(17,879)	
Total			(5,071,321)
Net assets of governmental activities		\$	25,735,642

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 1,924,263	\$ 351,966	\$ -	\$ 47,562	\$ 2,323,791
Tuition.	23,747	-	-	-	23,747
Charges for services.	-	-	-	249,999	249,999
Earnings on investments.	206,389	-	77,694	12,412	296,495
Extracurricular.	-	-	-	125,785	125,785
Classroom materials and fees	51,777	-	-	-	51,777
Other local revenues.	27,675	-	5,627	50,390	83,692
Intergovernmental - state	6,582,617	46,959	2,268,093	42,006	8,939,675
Intergovernmental - federal	1,626	-	-	829,566	831,192
Total revenue	<u>8,818,094</u>	<u>398,925</u>	<u>2,351,414</u>	<u>1,357,720</u>	<u>12,926,153</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,408,362	-	472,874	140,787	5,022,023
Special.	689,725	-	-	538,260	1,227,985
Vocational.	214,224	-	-	-	214,224
Other.	52,556	-	-	-	52,556
Support services:					
Pupil.	344,434	-	-	15,150	359,584
Instructional staff	259,859	-	-	59,555	319,414
Board of education	82,037	-	-	-	82,037
Administration.	643,760	-	-	-	643,760
Fiscal	188,601	7,184	-	-	195,785
Business	-	-	-	689	689
Operations and maintenance.	1,008,288	-	-	55,452	1,063,740
Pupil transportation	736,641	-	-	-	736,641
Central.	45,176	-	-	14,000	59,176
Operation of non-instructional services:					
Food service operations	-	-	-	394,403	394,403
Other non-instructional services.	16,809	-	-	-	16,809
Extracurricular activities.	246,319	-	-	119,121	365,440
Facilities acquisition and construction	344	-	7,162,866	179,904	7,343,114
Debt service:					
Principal retirement	9,492	240,000	-	-	249,492
Interest and fiscal charges	1,601	211,455	-	-	213,056
Total expenditures	<u>8,948,228</u>	<u>458,639</u>	<u>7,635,740</u>	<u>1,517,321</u>	<u>18,559,928</u>
Excess of revenues over (under) expenditures	<u>(130,134)</u>	<u>(59,714)</u>	<u>(5,284,326)</u>	<u>(159,601)</u>	<u>(5,633,775)</u>
Other financing (uses):					
Refund to Ohio School Facilities Commission.	-	-	(650,357)	-	(650,357)
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>(650,357)</u>	<u>-</u>	<u>(650,357)</u>
Net change in fund balances	(130,134)	(59,714)	(5,934,683)	(159,601)	(6,284,132)
Fund balances at beginning of year	<u>3,208,902</u>	<u>791,563</u>	<u>6,304,733</u>	<u>570,694</u>	<u>10,875,892</u>
Fund balances at end of year.	<u>\$ 3,078,768</u>	<u>\$ 731,849</u>	<u>\$ 370,050</u>	<u>\$ 411,093</u>	<u>\$ 4,591,760</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND 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, 2006

Net change in fund balances - total governmental funds \$ (6,284,132)

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

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

Capital asset additions	\$ 7,209,768	
Current year depreciation	(655,113)	
Total		6,554,655

The net effect of various miscellaneous transactions involving capital assets is to decrease net assets. (6,794)

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

Taxes	(59,753)	
Interest	8,083	
Intergovernmental	(2,375,361)	
Total		(2,427,031)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 249,492

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported on the statement of activities:

Decrease in accrued interest payable	976	
Accreted interest on capital appreciation bonds	(38,028)	
Total		(37,052)

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. (73,063)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 65,502

Change in net assets of governmental activities \$ (1,958,423)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND 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, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,021,150	\$ 2,029,903	\$ 2,108,406	\$ 78,503
Tuition.	22,657	22,755	23,635	880
Earnings on investments.	199,675	200,539	208,295	7,756
Classroom materials and fees	42,861	43,046	44,711	1,665
Other local revenues	17,856	17,933	18,627	694
Intergovernmental - state	6,310,196	6,337,523	6,582,617	245,094
Intergovernmental - Federal.	1,559	1,565	1,626	61
Total revenue	<u>8,615,954</u>	<u>8,653,264</u>	<u>8,987,917</u>	<u>334,653</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,479,480	4,511,886	4,459,493	52,393
Special.	746,930	752,333	736,542	15,791
Vocational.	216,086	217,649	215,678	1,971
Other.	47,835	48,181	48,056	125
Support services:				
Pupil.	355,501	358,073	354,092	3,981
Instructional staff	268,322	270,263	262,341	7,922
Board of education	89,939	90,590	87,643	2,947
Administration.	658,824	663,590	644,278	19,312
Fiscal	188,647	190,012	189,190	822
Operations and maintenance.	990,812	997,980	992,463	5,517
Pupil transportation	741,839	747,206	733,032	14,174
Central.	45,820	46,151	45,810	341
Operation of non-instructional services	22,374	22,536	22,439	97
Extracurricular activities.	251,239	253,055	249,379	3,676
Facilities acquisition and construction.	561	565	550	15
Total expenditures	<u>9,104,209</u>	<u>9,170,070</u>	<u>9,040,986</u>	<u>129,084</u>
Excess of revenues over (under) expenditures.	<u>(488,255)</u>	<u>(516,806)</u>	<u>(53,069)</u>	<u>463,737</u>
Other financing sources (uses):				
Refund of prior year expenditure.	17,069	17,143	17,806	663
Refund of prior year receipts	(50)	(50)	(36)	14
Advances in.	65,121	65,403	67,932	2,529
Sale of capital assets	8,288	8,324	8,646	322
Total other financing sources (uses)	<u>90,428</u>	<u>90,820</u>	<u>94,348</u>	<u>3,528</u>
Net change in fund balance	(397,827)	(425,986)	41,279	467,265
Fund balance at beginning of year.	3,500,368	3,500,368	3,500,368	-
Prior year encumbrances appropriated	104,749	104,749	104,749	-
Fund balance at end of year	<u>\$ 3,207,290</u>	<u>\$ 3,179,131</u>	<u>\$ 3,646,396</u>	<u>\$ 467,265</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Other operating	\$ 65,502
Total operating revenues	<u>65,502</u>
 Operating income	 <u>65,502</u>
 Change in net assets.	 65,502
 Net assets (deficit) at beginning of year. . .	 <u>(65,502)</u>
Net assets at end of year	<u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from other operating revenues.	\$ 65,502
Net cash provided by operating activities	<u>65,502</u>
Net decrease in cash and cash equivalents.	<u>65,502</u>
Cash and cash equivalents at beginning of year . . .	<u>(65,502)</u>
Cash and cash equivalents at end of year.	<u>\$ -</u>
Operating income	<u>\$ 65,502</u>
Net cash provided by operating activities	<u>\$ 65,502</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 2,780	\$ 35,928
Total assets.	2,780	\$ 35,928
Liabilities:		
Accounts payable.	-	\$ 373
Due to students	-	35,555
Total liabilities	-	\$ 35,928
Net Assets:		
Held in trust for scholarships	2,780	
Total net assets	\$ 2,780	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Private - Purpose Trust
	Scholarship
Additions:	
Interest	\$ 125
Total additions.	125
Deductions:	
Scholarships awarded	500
Total deductions.	500
Change in net assets	(375)
Net assets at beginning of year.	3,155
Net assets at end of year	\$ 2,780

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Crestview Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to residents of the District.

The District ranks as the 427th largest by total enrollment among the 615 public school districts in the state. Average daily membership as of June 30, 2006 was 1,250. The District employed 91 certified employees and 61 non-certified employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

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 and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service 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 organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

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

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments (the "COG")

The COG is a jointly governed organization among 15 school districts and 1 county educational service center. The COG was formed for the purpose of applying modern technology with computers and other electronic technology to aid administrative and instructional functions. Each member district supports the COG based on a per pupil charge, dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, as amended by GASB Statement No. 39, the District does not have an equity interest in the COG. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Pioneer Career and Technology Center (PCTC)

The PCTC is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Treasurer of the Pioneer Career and Technology Center at 27 Ryan Road, Shelby, OH 44875-0309.

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

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.

GOVERNMENTAL FUNDS

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and loans payable.

Classroom Facilities - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical and dental benefits to employees. The self-insurance fund ended operations on October 1, 2004, and the fund was closed out during fiscal year 2006.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student 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. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

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

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. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

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. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5).

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.

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

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair 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.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2006 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflects the amounts set forth in the original and final Amended Certificate issued for fiscal year 2006.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

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

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2006.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received other than in segregated accounts by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2006, investments were limited to certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exception: nonparticipating investment contracts such as certificates of deposit are reported at cost.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment earnings are credited to funds based on Board Policy and State Statute. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$206,389, which includes \$41,466 assigned from other funds.

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

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

G. Inventory

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. 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. The District does not possess infrastructure.

All reported capital assets except land and construction in progress 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	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets. The District had no short-term interfund receivables at June 30, 2006.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age, were expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, 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, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund 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, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, debt service, BWC refunds, 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.

Designated fund balance represents planned actions for monies set-aside by the District for budget stabilization.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

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

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund

N. 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 adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The restriction for other purposes, consist of monies restricted for BWC refunds, budget stabilization and bus purchases (See Note 16).

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, net assets restricted by enabling legislation was \$0 in the statement of net assets.

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. 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.

Q. 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 BWC refunds. Fund balances reserves have also been established (See Note 16).

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

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

R. Interfund Activity

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2006, the District incurred a transaction that would be classified as a special item. The special item involves the estimated refund due to the Ohio School Facilities Commission relating to the completed construction of the District's school facilities project. The repayment to the Ohio School Facilities Commission is reflected as a special item on the Statement of Activities.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 2,582
Ohio Reads	15
Title VI	7
Miscellaneous Federal Grants	10

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. 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 moneys 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.

Protection of 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 public monies deposited with the institution.

Interim monies to 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;

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

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 division (1) or (2) of this section 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.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the District had \$250 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Cash in Segregated Accounts

At fiscal year-end, \$188,918 was on deposit in segregated accounts for retainage relating to construction contracts and is included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheets as "Equity in Pooled Cash and Cash Equivalents."

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$3,807,328. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$3,346,944 of the District's bank balance of \$3,946,944 was exposed to custodial risk as discussed below, while \$600,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

D. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$ 2,597,853</u>	<u>\$ 2,597,853</u>

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

Credit Risk: Standard & Poor's has assigned STAR Ohio a AAAM money market rating.

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, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 2,597,853</u>	<u>100.00</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 3,807,328
Investments	2,597,853
Cash on hand	<u>250</u>
Total	<u>\$ 6,405,431</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 6,366,723
Private-purpose trust funds	2,780
Agency fund	<u>35,928</u>
Total	<u>\$ 6,405,431</u>

NOTE 5 - PROPERTY TAXES

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

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

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**CRESTVIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 5 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Richland and Ashland Counties. The County Auditors periodically advance to the District the portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date 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, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$180,025 in the general fund, \$32,201 in the debt service fund, \$11,138 in the permanent improvement fund, and \$3,316 in the Classroom Facilities Maintenance fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2005 was \$361,021 in the general fund, \$69,427 in the debt service fund, and \$6,850 in the Classroom Facilities Maintenance fund.

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

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

	2005 Second		2006 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and ther real estate	\$ 83,563,180	87.70	\$ 98,649,450	89.74
Public utility personal	9,458,080	9.93	9,123,550	8.30
Tangible personal property	<u>2,261,978</u>	<u>2.37</u>	<u>2,159,890</u>	<u>1.96</u>
Total	<u>\$ 95,283,238</u>	<u>100.00</u>	<u>\$ 109,932,890</u>	<u>100.00</u>

Tax rate per \$1,000 of
assessed valuation for:

Operations	\$47.10	\$42.40
Debt Service	5.00	4.50

**CRESTVIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities

Taxes	\$ 2,935,704
Accounts	11,504
Intergovernmental	106,198
Accrued interest	<u>49,212</u>
 Total	 <u>\$ 3,102,618</u>

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

NOTE 7 - CAPITAL ASSETS

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

	Balance 06/30/05	Additions	Deductions	Balance 06/30/06
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 194,705	\$ -	\$ -	\$ 194,705
Construction-in-progress	<u>10,855,624</u>	<u>-</u>	<u>(10,855,624)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>11,050,329</u>	<u>-</u>	<u>(10,855,624)</u>	<u>194,705</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	202,576	20,660	-	223,236
Buildings and improvements	12,267,705	17,797,541	-	30,065,246
Furniture and equipment	421,299	247,191	(14,558)	653,932
Vehicles	<u>1,389,445</u>	<u>-</u>	<u>-</u>	<u>1,389,445</u>
Total capital assets, being depreciated	<u>14,281,025</u>	<u>18,065,392</u>	<u>(14,558)</u>	<u>32,331,859</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(46,126)	(16,104)	-	(62,230)
Buildings and improvements	(4,525,458)	(507,921)	-	(5,033,379)
Furniture and equipment	(272,552)	(45,359)	7,764	(310,147)
Vehicles	<u>(1,065,048)</u>	<u>(85,729)</u>	<u>-</u>	<u>(1,150,777)</u>
Total accumulated depreciation	<u>(5,909,184)</u>	<u>(655,113)</u>	<u>7,764</u>	<u>(6,556,533)</u>
Governmental activities capital assets, net	<u>\$ 19,422,170</u>	<u>\$ 17,410,279</u>	<u>\$ (10,862,418)</u>	<u>\$ 25,970,031</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 7 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 368,449
Special	23,842
Vocational	9,553
 <u>Support Services:</u>	
Pupil	1,959
Instructional staff	27,585
Board of education	1,456
Administration	20,823
Fiscal	1,666
Operations and maintenance	39,687
Pupil transportation	83,695
Extracurricular activities	31,820
Food service operations	<u>44,578</u>
Total depreciation expense	<u>\$ 655,113</u>

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE

In previous years, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reflected as function expenditures on the budgetary statements. Capital assets consisting of equipment have been capitalized in the amount of \$44,168. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$30,919, leaving a current book value of \$13,249. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2006 fiscal year totaled \$9,492 paid by the general fund.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2007	\$ 11,093
2008	<u>4,621</u>
Total minimum lease payments	15,714
Less amount representing interest	<u>(903)</u>
Total	<u>\$ 14,811</u>

NOTE 9 - LONG-TERM OBLIGATIONS

- A. On December 15, 2001 the District issued general obligation bonds to provide funds for the construction and improvements to the elementary and high school and for the advance refunding of the 1992 general obligation bonds. A portion of the proceeds of the bonds were used to advance refund the 1992 general obligation bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest bonds, par value \$5,195,000, and capital appreciation bonds, par value \$685,000. The interest rates on the current interest bonds range from 4.011% to 5.20%. The capital appreciation bonds mature on December 1, 2011 (effective interest 19.091%) and December 1, 2012 (effective interest 19.094%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2006 was \$94,618. A total of \$125,751 in accreted interest on the capital appreciation bonds has been included in the long term liabilities within the statement of net assets at June 30, 2006.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2031.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2006 on the 2001 series general obligation bonds:

	Balance Outstanding <u>06/30/05</u>	Additions	Reductions	Balance Outstanding <u>06/30/06</u>	Amounts Due in One Year
Current interest bonds - 2001	\$ 4,635,000	\$ -	\$ (240,000)	\$ 4,395,000	\$ 255,000
Capital appreciation bonds - 2001	<u>182,341</u>	<u>38,028</u>	<u>-</u>	<u>220,369</u>	<u>-</u>
Total G.O. bonds	<u>\$ 4,817,341</u>	<u>\$ 38,028</u>	<u>\$ (240,000)</u>	<u>\$ 4,615,369</u>	<u>\$ 255,000</u>

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

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 255,000	\$ 202,598	\$ 457,598	\$ -	\$ -	\$ -
2008	270,000	192,480	462,480	-	-	-
2009	285,000	181,095	466,095	-	-	-
2010	310,000	168,368	478,368	-	-	-
2011	325,000	155,394	480,394	-	-	-
2012 - 2016	810,000	667,322	1,477,322	685,000	-	685,000
2017 - 2021	605,000	473,109	1,078,109	-	-	-
2022 - 2026	770,000	302,180	1,072,180	-	-	-
2027 - 2031	<u>765,000</u>	<u>80,990</u>	<u>845,990</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,395,000</u>	<u>\$ 2,423,536</u>	<u>\$ 6,818,536</u>	<u>\$ 685,000</u>	<u>\$ -</u>	<u>\$ 685,000</u>

- B.** During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance <u>06/30/05</u>	Additions	Reductions	Balance <u>06/30/06</u>	Amounts Due in One Year
Governmental Activities:					
Compensated absences	\$ 371,298	\$ 83,720	\$ (31,756)	\$ 423,262	\$ 11,034
General obligation bonds payable	4,817,341	38,028	(240,000)	4,615,369	255,000
Capital lease obligation payable	<u>24,303</u>	<u>-</u>	<u>(9,492)</u>	<u>14,811</u>	<u>10,280</u>
Total long-term obligations, governmental activities	<u>\$ 5,212,942</u>	<u>\$ 121,748</u>	<u>\$ (281,248)</u>	<u>\$ 5,053,442</u>	<u>\$ 276,314</u>

C. 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.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$6,131,548 (including available funds of \$696,749) and an unvoted debt margin of \$109,933.

NOTE 10 - STATE BUILDING LOAN

During fiscal year 1990, the District received a state building grant/loan to provide for the construction of classroom facilities. The District passed a half mill property tax levy with the proceeds of the levy going to repay its portion of the state loan. The unpaid balance on the state building loan is \$4,193,120 at June 30, 2006. The District and the state has determined that it is not probable that the State Facilities Loan will be repaid due to the new legislation, and as such, no outstanding liability is recorded in the financial statements.

New legislation now allows the District to use the proceeds of the levy for maintenance of the new facilities. The District may use the proceeds of the levy for maintenance of the new facilities provided the District's adjusted valuation per pupil is less than the state-wide median adjusted valuation per pupil. In any year in which the District's per pupil valuation exceeds the state-wide valuation median, half of the proceeds of the levy must be used to repay the loan. During fiscal year 2006, the District was not required to make any principal payments on the loan.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2006, the District contracted with Marsh USA for property insurance, fleet insurance and inland marine coverage. Coverages provided by Marsh USA are as follows:

Property Insurance - replacement cost (\$1,000 deductible)	\$ 35,641,794
Boiler & Machinery - repair and replacement	35,641,794
School Board Errors and Omissions (\$5,000 deductible)	1,000,000
Employee Dishonesty Blanket	25,000
Fleet Insurance:	
Bodily injury & property damage	2,000,000
Medical payments	5,000
Uninsured motorists	1,000,000
Comprehensive (\$500 deductible)	actual value
Collision (\$500 deductible)	actual value

General liability is protected by the Selective Insurance Company, with a \$5,000,000 annual aggregate/\$2,000,000 single occurrence limit and no deductible. The bus fleet is also covered by \$2,000,000 umbrella through Selective Insurance Company.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 2006, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Medical, Dental, and Life Insurance

The District offers a fully insured program for medical, dental and life insurance to most employees through Anthem Benefit Administrators.

Premiums vary for employees depending on the terms of the union contracts.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 12 - PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current 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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$129,041, \$118,386, and \$100,383, respectively; 49.48% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$65,194 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090.

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 12 - PENSION PLANS - (Continued)

For the fiscal year ended June 30, 2006, 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 recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$563,032, \$545,901, and \$507,367, respectively; 83.31 % has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$93,994 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2006 were \$7,391 made by the District and \$3,799 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$43,310 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$64,359 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

NOTE 14 - 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:

	<u>General Fund</u>
Budget basis	\$ 41,279
Net adjustment for revenue accruals	(169,823)
Net adjustment for expenditure accruals	28,699
Net adjustment for other sources/uses	(94,348)
Adjustment for encumbrances	<u>64,059</u>
GAAP basis	<u>\$ (130,134)</u>

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2005	\$ (260,375)	\$ -	\$ 32,798
Current year set-aside requirement	175,907	175,907	-
Current year offsets	-	(44,783)	-
Qualifying disbursements	<u>(137,956)</u>	<u>(269,893)</u>	<u>-</u>
Total	<u>\$ (222,424)</u>	<u>\$ (138,769)</u>	<u>\$ 32,798</u>
Cash balance carried forward to FY 2007	<u>\$ (222,424)</u>	<u>\$ -</u>	<u>\$ 32,798</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 16 - STATUTORY RESERVES - (Continued)

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. Monies set-aside by the School Board for budget stabilization is reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2006, was \$121,033.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

The District had qualifying disbursements in textbooks in prior years which resulted in a negative balance. This amount is shown as a carry forward to fiscal year 2007 as it may be used to reduce set-a-side requirements in future years.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2006 follows:

Amounts restricted for BWC refunds	\$ 32,798
Amounts restricted for school bus purchase	<u>20,047</u>
Total restricted assets	<u>\$ 52,845</u>

SUPPLEMENTAL DATA

CRESTVIEW LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A), (B) Food Donation	10.550	N/A	\$ -	\$ 24,872	\$ -	\$ 24,872
(A), (C) National School Lunch Program	10.555	049429-LLP4-2005	11,615	-	11,615	-
(A), (C) National School Lunch Program	10.555	049429-LLP4-2006	95,307	-	95,307	-
Total U.S. Department of Agriculture and Nutrition Cluster			106,922	24,872	106,922	24,872
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	84.010	049249-CIS1-2005	36,020	-	42,832	-
Title I Grants to Local Educational Agencies	84.010	049249-CIS1-2006	298,888	-	298,835	-
Total Title I Grants to Local Educational Agencies			334,908	-	341,667	-
Special Education Grants to States	84.027	049429-GBSF-2005	3,882	-	11,209	-
Special Education Grants to States	84.027	049249-GBSF-2006	249,538	-	240,854	-
Total Special Education Grants to States			253,420	-	252,063	-
Safe and Drug-Free Schools and Communities State Grants	84.186	049249-DRS1-2006	9,396	-	9,396	-
Total Safe and Drug-Free Schools and Communities State Grants			9,396	-	9,396	-
State Grants for Innovative Programs	84.298	049249-C2S1-2006	3,389	-	3,389	-
Total State Grants for Innovative Programs			3,389	-	3,389	-
Education Technology State Grants	84.318	049429-TJS1-2005	-	-	1,008	-
Education Technology State Grants	84.318	049429-TJS1-2006	5,955	-	5,955	-
Total Educational Technology State Grants			5,955	-	6,963	-
Improving Teacher Quality State Grants	84.367	049429-TRS1-2005	-	-	9,620	-
Improving Teacher Quality State Grants	84.367	049429-TRS1-2006	59,496	-	55,614	-
Total Improving Teacher Quality State Grants			59,496	-	65,234	-
Total U.S. Department of Education			666,564	-	678,712	-
U.S. DEPARTMENT OF HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES						
State Children's Insurance Program	93.767	N/A	35	-	35	-
Medical Assistance Program	93.778	N/A	1,658	-	1,658	-
Total U.S. Department of Human Services			1,693	-	1,693	-
Total Federal Financial Assistance			\$ 775,179	\$ 24,872	\$ 787,327	\$ 24,872

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
(B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
(C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(D) This schedule was prepared on the cash basis of accounting.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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***

Board of Education
Crestview Local School District
1575 St. Rt. 96
Ashland, Ohio 44805

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestview Local School District (the "District") as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Crestview 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. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Education
Crestview Local School District

Compliance and Other Matters

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

This report is intended solely for the information of the Board and management of the Crestview Local School District, 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 2, 2006



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Report On Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*

Board of Education
Crestview Local School District
1575 St. Rt. 96
Ashland, Ohio 44805

Compliance

We have audited the compliance of Crestview Local School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the fiscal year ended June 30, 2006. Crestview Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Crestview Local School District's management. Our responsibility is to express an opinion on Crestview 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Crestview 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 Crestview Local School District's compliance with those requirements.

Board of Education
Crestview Local School District

In our opinion, Crestview Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

The management of Crestview 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 Crestview 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Education of Crestview Local School District, 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.



Julian & Grube, Inc.
November 2, 2006

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

CRESTVIEW LOCAL SCHOOL DISTRICT

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 23, 2007**