



Crestwood Local School District
Basic Financial Statements
For Fiscal Year Ended June 30, 2006



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Crestwood Local School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 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 Crestwood Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 23, 2007

This Page is Intentionally Left Blank.

Crestwood Local School District
Basic Financial Statements
Fiscal Year Ended June 30, 2006

TABLE OF CONTENTS

	Page
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Statement of Net Assets.....	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	18
Statement of Fiduciary Net Assets - Fiduciary Funds.....	19
Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Fund	20
Notes to the Basic Financial Statements.....	21

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 26, 2007

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

INDEPENDENT AUDITOR'S REPORT

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2006, and the respective changes in financial position, where applicable, 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 January 26, 2007 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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

Financial Highlights

Key financial highlights for 2006 are as follows:

- Net assets of governmental activities increased \$640,670, representing a 3.2 percent increase from 2005
- General revenues accounted for \$20,280,530 in revenue or 87.7 percent of total revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$2,848,176 or 12.3 percent of total revenues of \$23,128,706.
- The School District had \$22,488,036 in expenses related to governmental activities; only \$2,848,176 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$20,280,530 were adequate to provide for these programs.

Using this Annual Financial Report

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

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

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The statement of net assets and the statement of activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current 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 School Districts' activities are considered to be all Governmental Activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the Classroom Facilities capital projects fund.

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

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

Table 1
Net Assets

	<i>Governmental Activities</i>	
	<u>2006</u>	<u>2005</u>
<i>Assets</i>		
<i>Current and other assets</i>	\$ 13,780,990	\$ 13,269,899
<i>Capital assets, net of depreciation</i>	<u>25,186,454</u>	<u>25,177,981</u>
<i>Total assets</i>	<u>38,967,444</u>	<u>38,447,880</u>
<i>Liabilities</i>		
<i>Current and other liabilities</i>	9,516,272	9,363,554
<i>Long-term liabilities</i>	<u>8,546,850</u>	<u>8,820,674</u>
<i>Total liabilities</i>	<u>18,063,122</u>	<u>18,184,228</u>
<i>Net Assets</i>		
<i>Invested in capital assets, net of related debt</i>	17,542,601	17,256,044
<i>Restricted</i>	3,296,118	3,450,525
<i>Unrestricted</i>	<u>65,603</u>	<u>(442,917)</u>
<i>Total net assets</i>	<u>\$ 20,904,322</u>	<u>\$ 20,263,652</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the School District's assets exceeded liabilities by \$20,904,322, an increase of \$640,670 from net assets at June 30, 2005. Current and other assets increased by \$511,091 while capital assets, net of depreciation increased by \$8,473. The change in the School District's assets is primarily related to the disbursement of cash from the Classroom Facilities fund and the related acquisition of capital assets. The increase in net assets is a favorable indication of the School District's financial condition.

Capital assets reported on the government-wide statements represent the largest portion of the School District's net assets for fiscal year 2006. Capital assets include land, construction in progress, buildings, furniture and equipment, and vehicles which are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$3,296,118 represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$520,110 is restricted for debt service payments; \$2,030,202 is restricted for capital projects; \$31,486 is restricted for scholarships and \$714,320 is restricted for other purposes. Unrestricted net assets report a balance of \$65,603, an increase of \$508,520 from prior year's deficiency.

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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

Table 2
Changes in Net Assets

	<i>Governmental Activities</i>	
	<u>2006</u>	<u>2005</u>
Revenues		
<i>Program revenues</i>		
Charges for services	\$ 1,568,641	\$ 2,439,101
Operating grants, contributions and interest	1,268,888	1,226,766
Capital grants and contributions	10,647	22,267
<i>General revenues</i>		
Property taxes	6,761,984	7,702,929
Grants and entitlements	12,661,318	12,728,513
Investment earnings	221,532	106,809
Miscellaneous	635,696	23,211
Total revenues	<u>23,128,706</u>	<u>24,249,596</u>
Program Expenses		
<i>Instruction</i>		
Regular	\$ 9,270,563	\$ 9,442,012
Special	1,489,599	2,303,962
Vocational	188,714	185,384
Other	1,048,799	557,086
<i>Support services</i>		
Pupils	1,178,940	1,068,996
Instructional staff	1,295,898	1,430,300
Board of education	7,196	6,022
Administration	2,180,525	2,612,958
Fiscal	477,968	441,562
Business	18,807	27,474
Operation and maintenance of plant	2,063,179	2,037,986
Pupil transportation	1,492,409	1,759,205
Central	93,197	69,849
<i>Operation of non-instructional services</i>		
Food service operations	674,245	717,471
Community services	160,966	96,404
Extracurricular activities	449,826	522,577
Interest and fiscal charges	397,205	404,998
Total expenses	<u>22,488,036</u>	<u>23,684,246</u>
Excess (deficit) before special and extraordinary items	640,670	565,350
Special item - gain on sale of capital assets	-	41,189
Increase (decrease) in net assets	<u>\$ 640,670</u>	<u>\$ 606,539</u>

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Governmental Activities

Several revenue sources fund our governmental activities with property tax and school foundation revenues being the largest contributors. Property tax levies generated over \$6.7 million in 2006. General revenues from grants and entitlements, such as the school foundation program, generated over \$12.6 million. With the combination of taxes and intergovernmental funding comprising approximately 84% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

Instructional expenses of the School District include activities directly related to the teaching of pupils as well as the interaction between teacher and pupil and the purchase of textbooks and instructional supplies and materials. These expenses totaled \$11,997,675, or 53.4% of the total program expenses of the School District.

Support services expenses for the pupils and instruction staff programs totaled \$2,474,838 in the current year, or 11% of the total program expenses of the School District. These expenses include library, guidance, speech and hearing, and psychological services. The decrease in expenses over prior year in the amount of \$24,458 is attributed mainly to a decrease in student enrollment.

Administration expenses of the School District include services of the Superintendent, and Principals' offices as well as public relations activities. Current year administrative expenses were \$2,180,525, which represents 9.7% of the total program expenses. Expenses of this School District program decreased \$432,433 over the prior year due to decreases in staff and student enrollment.

Costs associated with the operation and maintenance of plant represent those expenses necessary for the care and upkeep of School District's buildings, grounds and equipment. Current year expenses of \$2,063,179 made up almost 9.2% of all governmental expenses.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 3
Governmental Activities

	<i>Total Cost of Services <u>2006</u></i>	<i>Total Cost of Services <u>2005</u></i>	<i>Net Cost of Services <u>2006</u></i>	<i>Net Cost of Services <u>2005</u></i>
Program Expenses				
<i>Instruction:</i>				
Regular	\$ 9,270,563	\$ 9,442,012	\$ (9,159,208)	\$ (8,535,643)
Special	1,489,599	2,303,962	(120,463)	(912,333)
Vocational	188,714	185,384	(188,714)	(185,384)
Other	1,048,799	557,086	(1,048,799)	(557,086)
<i>Support services:</i>				
Pupils	1,178,940	1,068,996	(1,024,540)	(946,780)
Instructional staff	1,295,898	1,430,300	(1,097,068)	(1,189,385)
Board of education	7,196	6,022	(7,196)	(6,022)
Administration	2,180,525	2,612,958	(2,163,286)	(2,586,749)
Fiscal	477,968	441,562	(477,968)	(441,562)
Business	18,807	27,474	(18,807)	(27,474)
Operation and maintenance of plant	2,063,179	2,037,986	(2,047,392)	(2,034,693)
Pupil transportation	1,492,409	1,759,205	(1,470,958)	(1,736,938)
Central	93,197	69,849	(80,658)	(43,789)
<i>Operation non-instructional services:</i>				
Food service operations	674,245	717,471	(24,172)	(49,229)
Community services	160,966	96,404	(40,546)	12,283
Extracurricular activities	449,826	522,577	(272,880)	(350,330)
Interest and fiscal charges	397,205	404,998	(397,205)	(404,998)
Total expenses	<u>\$ 22,488,036</u>	<u>\$ 23,684,246</u>	<u>\$ (19,639,860)</u>	<u>\$ (19,996,112)</u>

The School District depends on both property taxes and State funding which fund approximately 86.4% of the program expenses of the School District.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$23,897,526, and total expenditures were \$22,771,295. The general fund is reporting a fund balance of \$103,792, an increase of \$1,321,793 from 2005. This increase was able to be reported, as expenses were able to be kept in line with available revenues.

Crestwood Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2006
 Unaudited

General Fund Budgeting Highlights

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

During fiscal year 2006, the School District amended its appropriation budget several times, however none were significant. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue estimate was \$20,863,415 which was higher than the original budget estimate of \$20,166,679. This difference of \$696,736 was due to changes in state and federal grants as well as state foundation funding, the exact amounts of which are often unknown during the original budgeting process. Near the closing of the fiscal year, the Treasurer adjusts the final budget (estimated resources) in the accounting system to reflect the actual amounts received or anticipated to be received by June 30, 2006. Due to these adjustments, the variance between the actual and final budget are immaterial.

The general fund's original expenditures estimate of \$21,313,502 was increased slightly during the fiscal year. However, no significant expenditure budget revisions were posted to any specific account during the year. Actual expenditures and other financing uses total \$20,078,657, or \$1,931,581 lower than the final amount budgeted. The final budgeted amount represents an amount equal to the amount of available resources that may be expended.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$25,186,454 invested in land and improvements, buildings, furniture and equipment, vehicles and construction in progress. Table 4 shows fiscal year 2006 balances compared to fiscal year 2005:

Table 4
Capital Assets at June 30, 2006
(Net of Depreciation)

	<i>Governmental Activities</i>	
	<u>2006</u>	<u>2005</u>
<i>Land</i>	\$ 1,550,480	\$ 1,548,490
<i>Land improvements</i>	34,075	-
<i>Buildings</i>	1,485,453	1,564,044
<i>Furniture and equipment</i>	1,357,273	1,443,339
<i>Vehicles</i>	829,288	1,022,877
<i>Construction in progress</i>	<u>19,929,885</u>	<u>19,599,231</u>
<i>Total capital assets</i>	<u>\$ 25,186,454</u>	<u>\$ 25,177,981</u>

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Capital assets continue to increase with the ongoing construction of two new elementary schools in the School District. The School District's capital budget calls for it to spend another \$336,589 in construction costs in fiscal year 2007. Total projects costs are budgeted at \$19,092,835. See Note 7 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2006 the School District had \$7,575,416 in bonds outstanding with \$315,000 due within one year. Table 5 summarizes the bonds, loans and capital leases outstanding as of the end of the fiscal year as compared to 2006:

Table 5
Outstanding Debt, at Fiscal Year End

	<i>Governmental Activities <u>2006</u></i>	<i>Governmental Activities <u>2005</u></i>
<i>2001 School Improvement Bonds</i>	<i>\$ 7,385,952</i>	<i>\$ 7,632,309</i>
<i>2001 Site Acquisition Bonds</i>	<i>189,464</i>	<i>193,361</i>
<i>EPA Asbestos Removal Loan</i>	<i>48,310</i>	<i>55,211</i>
<i>Capital Leases</i>	<i><u>20,127</u></i>	<i><u>41,056</u></i>
<i>Total outstanding debt</i>	<i><u><u>\$ 7,643,853</u></u></i>	<i><u><u>\$ 7,921,937</u></u></i>

In fiscal year 2001, the School District issued bonds for the site acquisition and construction of classroom facilities in the amount of \$210,000 and \$8,474,000 respectively. Each of the bond issues will mature on December 1, 2023. All bonds are general obligation bonds for which the full faith and credit of the School District is pledged. These bonds will be paid from property taxes in the Bond Retirement debt service fund.

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

At June 30, 2006, the School District's overall legal debt margin was \$18,737,194 with an unvoted debt margin of \$285,266. Moody's Investors Service last rated the School District in April 2003 with a rating of Aaa. The rating was obtained as a result of the purchase of an insurance policy provided by Financial Guaranty Insurance Company. See Note 13 to the basic financial statements for detail on the School District's long-term obligations.

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Current Issues Affecting Financial Condition

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

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

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

Contacting the School District's Financial Management

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

Crestwood Local School District
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 5,422,338
Cash and cash equivalents:	
In segregated accounts	34,319
Investments in segregated accounts	26,480
Receivables:	
Taxes	7,366,508
Accounts	572,145
Due from agency fund	16,900
Intergovernmental	167,654
Inventory held for resale	22,308
Materials and supplies inventory	2,614
Restricted assets:	
Equity in pooled cash and cash equivalents (restricted)	149,724
Capital assets:	
Land and construction in progress	21,480,365
Depreciable capital assets, net	<u>3,706,089</u>
Total capital assets	<u>25,186,454</u>
Total assets	<u>38,967,444</u>
 <u>Liabilities:</u>	
Accounts payable	52,265
Accrued wages and benefits	2,051,728
Compensated absences payable	204,864
Intergovernmental payable	599,186
Deferred revenue	6,579,952
Accrued interest payable	28,277
Long-term liabilities:	
Due within one year	418,147
Due in more than one year	<u>8,128,703</u>
Total liabilities	<u>18,063,122</u>
 <u>Net assets:</u>	
Invested in capital assets, net of related debt	17,542,601
Restricted for:	
Capital projects	2,030,202
Debt service	520,110
Permanent fund purpose - scholarships	
Nonexpendable	31,486
Other purposes	714,320
Unrestricted	<u>65,603</u>
Total net assets	<u>\$ 20,904,322</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Revenue and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 9,270,563	\$ -	\$ 111,355	\$ -	\$ (9,159,208)
Special	1,489,599	1,001,070	368,066	-	(120,463)
Vocational	188,714	-	-	-	(188,714)
Other	1,048,799	-	-	-	(1,048,799)
Support services:					
Pupils	1,178,940	8,841	145,559	-	(1,024,540)
Instructional staff	1,295,898	2,511	196,319	-	(1,097,068)
Board of education	7,196	-	-	-	(7,196)
Administration	2,180,525	-	17,239	-	(2,163,286)
Fiscal	477,968	-	-	-	(477,968)
Business	18,807	-	-	-	(18,807)
Operation and maintenance of plant	2,063,179	2,475	13,312	-	(2,047,392)
Pupil transportation	1,492,409	-	10,804	10,647	(1,470,958)
Central	93,197	-	12,539	-	(80,658)
Food service operations	674,245	448,033	202,040	-	(24,172)
Community services	160,966	-	120,420	-	(40,546)
Extracurricular activities	449,826	105,711	71,235	-	(272,880)
Interest and fiscal charges	397,205	-	-	-	(397,205)
Total governmental activities	\$ 22,488,036	\$ 1,568,641	\$ 1,268,888	\$ 10,647	(19,639,860)

General Revenues:

Property taxes levied for:		
General purposes		5,825,680
Debt service		553,084
Capital outlay		383,220
Grants and entitlements not restricted to specific programs		12,661,318
Investment earnings		221,532
Miscellaneous		635,696
Total general revenues		20,280,530
Change in net assets		640,670
Net assets beginning of year		20,263,652
Net assets end of year		\$ 20,904,322

See accompanying notes to the basic financial statements.

Crestwood Local School District
Balance Sheet
Governmental Funds
June 30, 2006

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 2,176,569	\$ 1,544,606	\$ 1,701,163	\$ 5,422,338
Cash and cash equivalents:				
In segregated accounts	-	34,319	-	34,319
Investments in segregated accounts	-	-	26,480	26,480
Receivables:				
Taxes	6,217,212	-	1,149,296	7,366,508
Accounts	572,115	-	30	572,145
Intergovernmental	-	-	167,654	167,654
Interfund	56,863	-	-	56,863
Due from agency fund	16,900	-	-	16,900
Inventory held for resale	-	-	22,308	22,308
Materials and supplies inventory	-	-	2,614	2,614
Equity in pooled cash and cash equivalents (restricted)	149,724	-	-	149,724
Total assets	<u>\$ 9,189,383</u>	<u>\$ 1,578,925</u>	<u>\$ 3,069,545</u>	<u>\$ 13,837,853</u>
<u>Liabilities:</u>				
Accounts payable	\$ 34,064	\$ -	\$ 18,201	\$ 52,265
Accrued wages and benefits	1,891,673	-	160,055	2,051,728
Interfund payable	-	-	56,863	56,863
Intergovernmental payable	558,483	-	40,703	599,186
Compensated absences payable	204,431	-	433	204,864
Deferred revenue	6,396,940	-	1,119,355	7,516,295
Total liabilities	<u>9,085,591</u>	<u>-</u>	<u>1,395,610</u>	<u>10,481,201</u>
<u>Fund balances:</u>				
Reserved:				
Reserved for encumbrances	343,561	336,589	125,646	805,796
Reserved for property taxes	343,663	-	69,700	413,363
Reserved for textbooks and instructional materials	129,499	-	-	129,499
Reserved for bus purchases	20,225	-	-	20,225
Reserved for endowments	-	-	26,480	26,480
Unreserved, undesignated, reported in:				
General fund	(733,156)	-	-	(733,156)
Special revenue funds	-	-	672,687	672,687
Debt service fund	-	-	485,526	485,526
Capital projects fund	-	1,242,336	288,890	1,531,226
Permanent fund	-	-	5,006	5,006
Total fund balances	<u>103,792</u>	<u>1,578,925</u>	<u>1,673,935</u>	<u>3,356,652</u>
Total liabilities and fund balances	<u>\$ 9,189,383</u>	<u>\$ 1,578,925</u>	<u>\$ 3,069,545</u>	<u>\$ 13,837,853</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006

Total governmental funds balances		\$ 3,356,652
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,186,454
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 373,193	
Intergovernmental	39,759	
Tuition and fees	523,391	
Total	<u>936,343</u>	936,343
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(28,277)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (7,575,416)	
Asbestos removal loan	(48,310)	
Compensated absences	(902,997)	
Capital leases	(20,127)	
Total	<u>(8,546,850)</u>	(8,546,850)
Net assets of governmental activities		<u>\$ 20,904,322</u>

See accompanying notes to the basic financial statements.

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

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Taxes	\$ 5,712,829	\$ -	\$ 1,041,010	\$ 6,753,839
Intergovernmental	12,546,412	-	1,270,500	13,816,912
Interest	166,715	54,818	2,469	224,002
Tuition and fees	1,724,585	-	90,564	1,815,149
Extracurricular activities	-	-	117,024	117,024
Gifts and donations	28,580	-	24,671	53,251
Charges for services	3,001	-	448,033	451,034
Rent	2,999	-	-	2,999
Miscellaneous	590,410	15,862	57,044	663,316
Total revenues	<u>20,775,531</u>	<u>70,680</u>	<u>3,051,315</u>	<u>23,897,526</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,934,186	1,905	189,571	9,125,662
Special	1,159,680	-	375,306	1,534,986
Vocational	179,424	-	-	179,424
Other	1,031,275	-	-	1,031,275
Support services:				
Pupils	1,014,720	-	161,974	1,176,694
Instructional staff	1,074,159	-	180,419	1,254,578
Board of education	7,196	-	-	7,196
Administration	2,145,317	-	2,000	2,147,317
Fiscal	454,964	-	21,180	476,144
Business	18,807	-	-	18,807
Operation and maintenance of plant	1,749,843	67,034	239,036	2,055,913
Pupil transportation	1,274,110	-	9,919	1,284,029
Central	87,032	-	6,165	93,197
Operation of non-instructional services:				
Food service operations	-	-	671,378	671,378
Community services	-	-	160,379	160,379
Extracurricular activities	291,872	-	137,714	429,586
Capital outlay	-	58,490	389,989	448,479
Debt service:				
Principal retirement	20,929	-	306,901	327,830
Interest and fiscal charges	3,323	-	345,098	348,421
Total expenditures	<u>19,446,837</u>	<u>127,429</u>	<u>3,197,029</u>	<u>22,771,295</u>
Excess (deficiency) of revenues over expenditures	<u>1,328,694</u>	<u>(56,749)</u>	<u>(145,714)</u>	<u>1,126,231</u>
<u>Other financing sources (uses):</u>				
Transfers in	-	-	6,901	6,901
Transfers out	(6,901)	-	-	(6,901)
Total other financing sources (uses)	<u>(6,901)</u>	<u>-</u>	<u>6,901</u>	<u>-</u>
Net change in fund balances	1,321,793	(56,749)	(138,813)	1,126,231
Fund balances beginning of year	(1,218,001)	1,635,674	1,812,748	2,230,421
Fund balances end of year	<u>\$ 103,792</u>	<u>\$ 1,578,925</u>	<u>\$ 1,673,935</u>	<u>\$ 3,356,652</u>

See accompanying notes to the basic financial statements.

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

Net change in fund balances - total governmental funds \$ 1,126,231

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 capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 448,479	
Depreciation expense	(433,384)	
Excess of capital outlay over depreciation expense		15,095

The sale of capital assets results in an other financing source in the governmental funds. In the government-wide statement, however, the assets sold had been capitalized previously and thus have a "book value" that needs to be removed. The difference between the proceeds and the book value is the gain or loss that is recognized in the statement of activities. This adjustment reduces the proceeds by the book value of the asset sold.

Value of capital assets disposed	\$ (6,622)	
Excess expenses over revenues		(6,622)

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

Property taxes	\$ 8,140	
Intergovernmental	39,759	
Tuition and fees	(814,038)	
Charges for services	(526)	
Miscellaneous	(2,155)	
Net change in deferred revenues during the year		(768,820)

Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 327,830

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	\$ (4,260)	
Decrease in accrued interest	962	
Total additional expenditures		(3,298)

The amortization of accretion is reflected as an expense in the statement of activities (49,746)
Change in net assets of governmental activities \$ 640,670

See accompanying notes to the basic financial statements.

Crestwood Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 6,124,392	\$ 6,124,392	\$ 6,101,387	\$ (23,005)
Intergovernmental	12,239,492	12,854,209	12,546,412	(307,797)
Interest	166,715	166,715	166,715	-
Tuition and fees	1,292,501	1,357,416	1,746,402	388,986
Gifts and donations	535	562	28,580	28,018
Charges for services	86	90	4,568	4,478
Rent	3,013	3,013	3,014	1
Miscellaneous	339,945	357,018	344,157	(12,861)
Total revenues	<u>20,166,679</u>	<u>20,863,415</u>	<u>20,941,235</u>	<u>77,820</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,643,900	9,959,158	8,977,948	981,210
Special	1,330,025	1,373,503	1,238,181	135,322
Vocational	211,371	218,281	196,775	21,506
Other	1,084,005	1,119,441	1,009,150	110,291
Support services:				
Pupils	1,074,887	1,110,025	1,000,662	109,363
Instructional staff	1,134,236	1,171,314	1,055,912	115,402
Board of education	7,730	7,982	7,196	786
Administration	2,296,329	2,371,396	2,137,758	233,638
Fiscal	488,361	504,326	454,638	49,688
Business	20,202	20,862	18,807	2,055
Operation and maintenance of plant	1,988,803	2,053,817	1,851,468	202,349
Pupil transportation	1,621,465	1,674,470	1,509,496	164,974
Central	94,321	97,405	87,808	9,597
Extracurricular activities	313,264	323,505	291,632	31,873
Capital outlay	4,603	4,753	4,285	468
Total expenditures	<u>21,313,502</u>	<u>22,010,238</u>	<u>19,841,716</u>	<u>2,168,522</u>
Excess (deficiency) of revenues over expenditures	<u>(1,146,823)</u>	<u>(1,146,823)</u>	<u>1,099,519</u>	<u>2,246,342</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	30	30	30	-
Refund of prior year expenditures	-	-	234,138	234,138
Transfers in	284,100	284,100	-	(284,100)
Refund of prior year receipts	-	-	(1,000)	(1,000)
Advances in	183,096	183,096	183,096	-
Advances out	-	-	(229,040)	(229,040)
Transfers out	-	-	(6,901)	(6,901)
Total other financing sources (uses)	<u>467,226</u>	<u>467,226</u>	<u>180,323</u>	<u>(286,903)</u>
Net change in fund balance	<u>(679,597)</u>	<u>(\$679,597.00)</u>	<u>1,279,842</u>	<u>1,959,439</u>
Fund balances at beginning of year	535,397	535,397	535,397	-
Prior year encumbrances appropriated	144,200	144,200	144,200	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,959,439</u>	<u>\$ 1,959,439</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust	
	Scholarship	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 307	\$ 71,182
Investments in segregated accounts	12,214	-
Total assets	<u>12,521</u>	<u>\$ 71,182</u>
 <u>Liabilities:</u>		
Accounts payable	\$ -	\$ 2,391
Due to general fund	-	16,900
Due to students	-	51,891
Total liabilities	<u>-</u>	<u>\$ 71,182</u>
 <u>Net assets:</u>		
Restricted - expendable	344	
Held in trust for scholarships	12,177	
Total net assets	<u>\$ 12,521</u>	

See accompanying notes to the basic financial statements.

Crestwood Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2006

	<u>Scholarships</u>
<u>Additions:</u>	
Interest	\$ 307
Gifts and donations	<u>75</u>
Total additions	<u>382</u>
 <u>Deductions:</u>	
Other expenses	<u>1,610</u>
Change in net assets	(1,228)
Net assets beginning of year	<u>13,749</u>
Net assets end of year	<u>\$ 12,521</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's four instructional/support facilities staffed by 126 non-certificated employees and 187 certificated full time teaching and support personnel who provide services to 2,574 students and other community members.

Reporting Entity

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Crestwood Local School District, this includes general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes.

Within the boundaries of the School District, Saint Joseph of Mantua School is operated as a private school. State legislation provides funding to this private school. The School District receives the money and then disburses the money as directed by the private school. Such transactions are reported as governmental activities in a special revenue fund of the School District.

The School District is associated with the Stark Portage Area Computer Consortium, the Portage County School Consortium and the Maplewood Career and Technical Center that are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 14.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The effect of interfund activity within the governmental type activities column has been removed from these statements.

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

Fund Financial Statements

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

B. Fund Accounting

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

Governmental Funds:

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

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

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

Fiduciary Fund Types:

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

C. Measurement Focus

Government-wide Financial Statements

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

Fund Financial Statements

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

The private purpose trust fund is reported using the economic resources measurement focus.

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. The private purpose trust fund and the agency fund also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

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

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (excluding delinquent taxes) for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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 fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account.

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

E. Budgetary Data

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

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented on the statement of net assets in the account, "Equity in pooled cash and cash equivalents". During the current fiscal year investments were limited to certificates of deposit, overnight repurchase agreements, and STAROhio. All investments of the School District had a maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 4.

G. Inventory

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

Inventories of the food service special revenue fund are stated at cost, which is determined on a first-in, first-out basis. Inventories of the food service fund consist of donated food, purchased food, and supplies held for resale. Inventories reported on the fund financial statements are expensed when used.

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund may include the amount required by State statute to be set aside to create a reserve for the purchase of textbooks and instructional materials and buses. See Note 16 for additional information regarding statutory reserves.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

I. Capital Assets

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

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

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

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

J. 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 of the statement of net assets.

K. Compensated absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

L. Accrued liabilities and long-term obligations

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

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

M. Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the spent 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 enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

N. Fund balance reserves

The School District reserves those portions of fund balance 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 the fund balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, text books and instructional materials, bus purchases and endowments.

O. Interfund transactions

Interfund transfers are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net assets.

P. Estimates

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is 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 and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
<i>GAAP basis</i>	\$ 1,321,793
<i>Revenue accruals</i>	399,872
<i>Advance in</i>	183,096
<i>Expenditure accruals</i>	(29,025)
<i>Advance out</i>	(229,040)
<i>Encumbrances (budget basis) outstanding at year end</i>	(366,854)
<i>Budget basis</i>	<u>\$ 1,279,842</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

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.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

A. Deposits:

For the fiscal year ended June 30, 2006, the School District reported \$149,724 in “Equity in pooled cash and cash equivalents (restricted)” on the balance sheet. The amount represents a reserve for textbooks and instructional materials and school buses (see Note 16).

Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District’s deposits was (\$242,300). The School District’s bank balance was \$172,236 and of the School District’s deposits, 100% was insured by the FDIC.

B. Investments:

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
<i>Repurchase agreements</i>	\$ 5,958,072	<i>Daily</i>	<i>N/A</i> ⁽¹⁾
<i>STAROhio</i>	792	<i>N/A</i>	<i>AAAm</i> ⁽²⁾
	<u>\$ 5,958,864</u>		

⁽¹⁾ Underlying securities are exempt.

⁽²⁾ Standard and Poor's rating

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$166,715, which includes \$75,166 assigned from other School District funds.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$5,958,072 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2001 for the following tax year. Public utility property taxes are assessed on tangible personal property at 85% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. In prior years, tangible personal property was assessed at 25% of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75%. This will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009.

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 earlier or later payment dates to be established.

Tangible personal property taxes paid 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.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

The School District receives property taxes from Portage County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by year-end are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent and on the collection of delinquent taxes. The Board has passed a resolution to accept advances of property taxes and make them available for appropriation.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amounts available as advances at June 30 was \$343,663 in the general fund, \$7,301 in the classroom facility maintenance special revenue fund, \$39,074 in the bond retirement debt service fund, and \$23,325 in the permanent improvement capital projects fund, and are recognized as revenue on the fund financial statements.

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

<u>Property Category</u>	<u>2004</u> <u>Assessed Value</u>	<u>2005</u> <u>Assessed Value</u>
<u>Real Property</u>		
<i>Residential and Agricultural</i>	\$ 237,786,150	\$ 242,955,170
<i>Commercial and Industrial</i>	17,972,100	20,904,750
<i>Public Utilities</i>	5,980	6,010
 <u>Tangible Personal Property</u>		
<i>General</i>	15,216,196	10,935,395
<i>Public Utilities</i>	11,495,990	10,465,100
<i>Total</i>	<u>\$ 282,476,416</u>	<u>\$ 285,266,425</u>

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

NOTE 6 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts, intergovernmental grants and entitlements and interfund. 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. The general fund accounts receivable at year-end consisted of tuition and miscellaneous reimbursements of \$572,115.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
<i>Special revenue funds:</i>	
<i>Food service</i>	21,116
<i>Title VI-B</i>	117,980
<i>Title I</i>	17,043
<i>Title VI</i>	1,195
<i>Drug-free school</i>	1,859
<i>Improving teacher quality</i>	6,843
<i>Miscellaneous</i>	<u>1,618</u>
<i>Total intergovernmental receivable</i>	<u>\$ 167,654</u>

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

NOTE 7 - CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,548,490	\$ 1,990	\$ -	\$ 1,550,480
Construction in progress	19,599,231	337,276	(6,622)	19,929,885
<i>Total capital assets, not being depreciated</i>	<u>21,147,721</u>	<u>339,266</u>	<u>(6,622)</u>	<u>21,480,365</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	-	34,770	-	34,770
Buildings	4,784,835	-	-	4,784,835
Furniture and equipment	3,091,467	74,443	-	3,165,910
Vehicles	2,560,999	-	-	2,560,999
<i>Total capital assets, being depreciated</i>	<u>10,437,301</u>	<u>109,213</u>	<u>-</u>	<u>10,546,514</u>
<i>Less: Accumulated depreciation</i>				
Land improvements	-	(695)	-	(695)
Buildings	(3,220,791)	(78,591)	-	(3,299,382)
Furniture and equipment	(1,648,128)	(160,509)	-	(1,808,637)
Vehicles	(1,538,122)	(193,589)	-	(1,731,711)
<i>Total accumulated depreciation</i>	<u>(6,407,041)</u>	<u>(433,384)</u>	<u>-</u>	<u>(6,840,425)</u>
<i>Total capital assets being depreciated, net</i>	<u>4,030,260</u>	<u>(324,171)</u>	<u>-</u>	<u>3,706,089</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 25,177,981</u>	<u>\$ 15,095</u>	<u>\$ (6,622)</u>	<u>\$ 25,186,454</u>

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 132,553
<i>Special</i>	3,667
<i>Vocational</i>	7,693
<i>Support services:</i>	
<i>Pupils</i>	3,499
<i>Instructional staff</i>	27,739
<i>Administration</i>	25,921
<i>Fiscal</i>	1,290
<i>Operation and maintenance of plant</i>	14,577
<i>Pupil transportation</i>	197,505
<i>Community services</i>	587
<i>Food service operations</i>	3,295
<i>Extracurricular activities</i>	15,058
	<u>\$ 433,384</u>

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2006 consisted of the following:

<i>Due to general fund from:</i>	
<i>Nonmajor governmental funds</i>	\$ 56,863
<i>Fiduciary funds</i>	<u>16,900</u>
<i>Total due to general fund from other funds</i>	<u>\$ 73,763</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2006, all interfund loans outstanding are anticipated to be repaid in fiscal year 2007.

Interfund transfers for the year ended June 30, 2006 consisted of the following:

<i>Transfers from general fund to:</i>	
<i>Nonmajor governmental funds</i>	\$ 6,901

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - RISK MANAGEMENT

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

A. Property and liability

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

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

In addition, the School District contracted with Indiana Insurance for property, Nationwide Agribusiness for employee bonding, and Ohio School Plan for general liability insurance during fiscal year 2006.

B. Workers' Compensation

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

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established 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 for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under forms and publications.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2005, 10.57% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$352,423, \$379,451 and \$309,117, respectively; 40% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$209,977, representing the unpaid contribution for fiscal year 2006, is recorded as an intergovernmental payable.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, disability, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers - Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227 - 4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

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.

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 became disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006 plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,257,375, \$1,328,422 and \$1,245,927, respectively; 48% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$654,112, representing the unpaid contribution for fiscal year 2006, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2006 were \$9,558 made by the School District and \$16,212 made by the plan members.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Health care benefits are financed on a pay-as-you-go basis.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$96,721 during the 2006 fiscal year. The balance in the Health Care Stabilization Fund for the STRS was \$3.3 billion at June 30, 2005 (latest information available). For the year ended June 30, 2006, the net health care costs paid by the STRS were \$282,743,000 and eligible benefit recipients totaled 119,184.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. For this fiscal year, employer contributions to fund health care benefits were 3.42% of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$35,800. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$158,601, which includes a surcharge of \$44,680 during the 2006 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 were \$158,751,207. The target level for the health fund is 150% of projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual claim costs. The number of participants eligible to receive benefits is 59,492.

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets acquired by lease have been capitalized as equipment in the amount of \$166,070 equal to the present value of the future minimum lease payments in the government-wide financial statements. Principal payments in the current fiscal year totaled \$20,929.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

<i>Fiscal Year</i>	<i>Lease Payments</i>
2007	20,485
2008	693
<i>Total minimum lease payments</i>	21,178
<i>Less: amount representing interest</i>	(1,051)
<i>Present value of minimum lease payments</i>	<u>\$ 20,127</u>

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during the fiscal year were as follows:

	<i>Balance July 1, 2005</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance June 30, 2006</i>	<i>Due Within One Year</i>
<i>Governmental Activities</i>					
<i>General Obligation Bonds</i>					
<i>2001 School Improvements, 5.00%</i>					
<i>Serial and term bonds</i>	\$ 7,250,110	\$ -	\$ (295,000)	\$ 6,955,110	\$ 305,000
<i>Capital appreciation bonds</i>	233,890	-	-	233,890	-
<i>Accretion on bonds</i>	148,309	48,643	-	196,952	-
<i>2001 Site Acquisition, 5.00%</i>					
<i>Serial and term bonds</i>	185,000	-	(5,000)	180,000	10,000
<i>Capital appreciation bonds</i>	5,000	-	-	5,000	-
<i>Accretion on bonds</i>	3,361	1,103	-	4,464	-
<i>Total bonds and notes payable</i>	<u>7,825,670</u>	<u>49,746</u>	<u>(300,000)</u>	<u>7,575,416</u>	<u>315,000</u>
<i>Other Liabilities</i>					
<i>EPA Asbestos Removal loan</i>	55,211	-	(6,901)	48,310	6,901
<i>Compensated absences</i>	898,737	224,104	(219,844)	902,997	76,794
<i>Capital leases</i>	41,056	-	(20,929)	20,127	19,452
<i>Total other liabilities</i>	<u>995,004</u>	<u>224,104</u>	<u>(247,674)</u>	<u>971,434</u>	<u>103,147</u>
<i>Governmental activities long-term liabilities</i>	<u>\$ 8,820,674</u>	<u>\$ 273,850</u>	<u>\$ (547,674)</u>	<u>\$ 8,546,850</u>	<u>\$ 418,147</u>

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

In fiscal year 2001, the School District issued bonds for the site acquisition and construction of classroom facilities in the amount of \$210,000 and \$8,474,000, respectively. Each of the bond issues will mature on December 1, 2023. All bonds are general obligation bonds for which the full faith and credit of the School District is pledged and will be paid from property taxes in the bond retirement debt service fund. Both bond issues include serial, term and capital appreciation bonds. Current year additions amounted to \$49,746 which represents the accretion of discounted interest. The final amounts of the classroom facilities and site acquisition capital appreciation bonds will be \$695,000 and \$15,000, respectively.

In fiscal year 1994, the School District obtained an EPA Asbestos loan in the amount of \$124,221 in order to undertake an asbestos abatement project. The EPA Asbestos loan will be paid from property taxes, receipted into the general fund and subsequently transferred to the bond retirement debt service fund, and will mature on May 1, 2013. Compensated absences will be paid from the fund from which the person is paid. In prior years this has primarily been the general fund. Capital lease obligations will be paid from the general fund.

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2006 are as follows:

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>		<u>EPA Asbestos</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Removal Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2007	315,000	333,101	6,901	655,002
2008	325,000	320,299	6,901	652,200
2009	340,000	306,663	6,901	653,564
2010	126,600	528,007	6,901	661,508
2011	112,290	542,317	6,901	661,509
2012-2016	1,940,000	1,284,624	13,805	3,238,429
2017-2021	2,440,000	759,318	-	3,199,318
2022-2024	1,775,110	135,875	-	1,910,985
<i>Total</i>	<u>\$ 7,374,000</u>	<u>\$ 4,210,204</u>	<u>\$ 48,310</u>	<u>\$ 11,632,514</u>

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Stark Portage Area Computer Consortium (SPARCC) is the computer service organization or Data Acquisition Site (DAS) used by the School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating school districts governs SPARCC. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the general fund. During the fiscal year, the School District contributed \$51,411 to SPARCC.

The Portage County School Consortium is an insurance group-purchasing consortium made up of thirteen school districts in Portage County. All member districts pay an insurance premium directly to the consortium.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

The School District paid \$2,695,502 in the form of health care premiums to the consortium for the current fiscal year.

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

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and qualifying disbursements during the year that reduced set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>
<i>Set-aside cash balance as of June 30, 2005</i>	\$ -	\$ -
<i>Current year set-aside requirement</i>	399,026	399,026
<i>Current year offset</i>	-	(450,450)
<i>Qualifying disbursements</i>	<u>(269,527)</u>	<u>-</u>
<i>Total</i>	<u>\$ 129,499</u>	<u>\$ (51,424)</u>

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

During fiscal year 2006, \$10,647 was received as a school bus subsidy. This activity resulted in a reserve balance of \$20,225 to be used for the purchase of school buses in future years, and is reported as restricted cash on the governmental funds balance sheet.

NOTE 17 - ACCOUNTABILITY

As of June 30, 2006, five funds had a deficit fund balance. This deficit was caused by the application of GAAP. The general fund provides transfers to other funds to cover deficit balances in those funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

<i>Fund</i>	<i>Amount</i>
<i>Special revenue funds:</i>	
<i>Food service</i>	\$ 56,422
<i>IDEA, Part B</i>	9,655
<i>Title I</i>	913
<i>Title V</i>	44
<i>Drug-free school grant</i>	1,937

NOTE 18 - COMMITMENTS

The School District has entered into contracts for the planning and construction of classroom facilities. As of June 30, 2006 the School District is committed to contracts for these projects in the amount of \$336,589 and has expended \$17,469,328 to date. These projects are commitments of the Classroom Facilities capital projects fund.

NOTE 19 - REQUIRED SUPPLEMENTARY INFORMATION (RSI) IS OMITTED

For the fiscal year ended 2005, the School District was required to implement GASB Technical Bulletin No. 2004-2. In addition to the implementation of this guidance, the School District simultaneously implemented GASB Statement No. 45, as recommended by the GASB. This Statement requires employers to present as required supplementary information (RSI) schedules of funding progress and employer contributions for the plan as a whole if a plan financial report, prepared in accordance with GASB Statement 43 is not issued and made publicly available and the plan is not included in the financial report of a public employee retirement system or another entity. SERS and STRS have not issued a financial report in accordance with the statement and have not conducted a valuation of their plans, as they were not required to implement the statement as of the date of this report. Therefore, RSI is unavailable to the School District and it does not follow these notes to the basic financial statements.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2006

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended 2006, the School District implemented GASB Statement No. 42, “Accounting and Financial Reporting 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 establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No 46 is an amendment of GASB Statement No. 34 and GASB Statement No. 47 establishes standards of accounting and financial reporting for termination benefits. The implementation of GASB Statements did not materially affect the presentation of the financial statements of the School District.

Crestwood Local School District

* * * *

Report Letters

June 30, 2006

CRESTWOOD LOCAL SCHOOL DISTRICT

TABLE OF CONTENTS

	PAGE
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	1-2
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	3-4
Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	6

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 26, 2007

To the Board of Education
Crestwood Local School District
Portage County, Ohio

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestwood Local School District as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crestwood Local School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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.

Compliance and Other Matters

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

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 26, 2007

To the Board of Education
Crestwood Local School District
Portage County, Ohio

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

Compliance

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

In our opinion, Crestwood Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major program for the year ended June 30, 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Crestwood Local School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Crestwood Local School District's internal control over compliance with requirements that could have a direct and material effect on its major program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 the applicable requirements of laws, regulations, contracts and grants 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.

Schedule of Expenditures of Federal Awards – Non GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Crestwood Local Schools as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 26, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Rea & Associates, Inc.

**CRESTWOOD LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Expenditures
U. S. Department of Education (Passed Through Ohio Department of Education):					
Title I	84.010	C1-S1-2005	\$ 12,332	\$ 17,118	\$ 0
Title I	84.010	C1-S1-2006	93,825	93,508	0
Title I	84.010	C1-SD-2005	0	5,649	0
Title I	84.010	C1-SD-2006	<u>51,163</u>	<u>51,163</u>	<u>0</u>
Total Title I			157,319	167,437	0
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-2005	63,088	74,083	0
IDEA-B	84.027	6B-SF-2006	<u>460,771</u>	<u>459,069</u>	<u>0</u>
Total IDEA-B			523,860	533,152	0
Preschool Grants	84.173	PG-S1-2006P	7,980	7,980	0
Preschool Grants	84.173	PG-S1-2005P	<u>4,228</u>	<u>4,228</u>	<u>0</u>
Total Preschool Grants			12,208	12,208	0
<i>Total Special Education Cluster</i>					
			<u>536,068</u>	<u>545,360</u>	<u>0</u>
Title IV-A Safe and Drug-Free Schools {C}	84.186	DR-S1-2005	(84)	710	0
Title IV-A Safe and Drug-Free Schools	84.186	DR-S1-2006	<u>9,650</u>	<u>10,898</u>	<u>0</u>
Total Safe and Drug-Free Schools and Communities			9,566	11,608	0
Title V Innov	84.298	C2-S1-2005	26	623	0
Title V Innov	84.298	C2-S1-2006	<u>11,199</u>	<u>10,510</u>	<u>0</u>
Total Title V			11,226	11,133	0
Title II-D Technology {C}	84.318	TJ-S1-2005	(155)	0	0
Title II-D Technology	84.318	TJ-S1-2006	<u>530</u>	<u>93</u>	<u>0</u>
Total Title II-D			375	93	0
Title I-G Advanced Placement	84.330	AV-TF-2004	<u>52</u>	<u>52</u>	<u>0</u>
Total Title I-G Advanced Placement			52	52	0
Title II-A	84.367	TR-S1-2005	4,276	12,793	0
Title II-A	84.367	TR-S1-2006	<u>79,086</u>	<u>73,943</u>	<u>0</u>
Total Title II-A			83,361	86,736	0
Total Department of Education			<u>797,967</u>	<u>822,419</u>	<u>0</u>
U. S. Department of Health and Human Services (Passed Through Ohio Department of Mental Retardation and Developmental Disabilities):					
Community Alternative Funding System	93.778		98,528	98,528	0
State Children's Health Insurance Program	93.767		<u>3,590</u>	<u>3,590</u>	<u>0</u>
Total Department of Health and Human Services			102,118	102,118	0
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
Food Distribution Program (A) (B)	10.550		79,325		79,325
<i>Nutrition Cluster:</i>					
National School Lunch Program (B)	10.555		<u>119,004</u>	<u>119,004</u>	<u>0</u>
Total Nutrition Cluster			119,004	119,004	0
Total Department of Agriculture			<u>198,329</u>	<u>119,004</u>	<u>79,325</u>
Total Federal Assistance			<u>\$ 1,098,414</u>	<u>\$ 1,043,541</u>	<u>\$ 79,325</u>

- (A) Government commodities are reported at the fair market value of the commodities received and disbursed.
(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.
(C) Refunded Receipt

**CRESTWOOD LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.



Mary Taylor, CPA
Auditor of State

CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2007