

**CRESTWOOD LOCAL
SCHOOL DISTRICT**

PORTAGE COUNTY, OHIO

BASIC FINANCIAL STATEMENTS

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2007***

CAROL CORBETT, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Crestwood Local School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. 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

January 22, 2008

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CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 28, 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, 2007, 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, 2007, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 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 12 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The discussion and analysis of the Crestwood Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$778,950 which represents a 3.73% increase from 2006.
- General revenues accounted for \$19,802,104 in revenue or 85.44% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$3,373,814 or 14.56% of total revenues of \$23,175,918.
- The District had \$22,396,968 in expenses related to governmental activities; only \$3,373,814 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,802,104 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$20,605,231 in revenues and \$19,554,559 in expenditures and other financing sources. The general fund had an increase in the reserve for inventory for 2007 of \$12,416. During fiscal 2007, the general fund's fund balance increased \$1,063,088 from \$103,792 to \$1,166,888.
- The classroom facilities fund had \$319,360 in revenues and an extraordinary item and \$277,866 in expenditures and an extraordinary item. During fiscal 2007, the classroom facilities fund's fund balance increased \$41,494 from \$1,578,925 to \$1,620,419.

Using the Basic Financial Statements (BFS)

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-46 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Assets</u>		
Current and other assets	\$ 15,886,384	\$ 13,780,990
Capital assets	<u>24,867,107</u>	<u>25,186,454</u>
Total assets	<u>40,753,491</u>	<u>38,967,444</u>
<u>Liabilities</u>		
Current liabilities	10,692,569	9,516,272
Long-term liabilities	<u>8,377,650</u>	<u>8,546,850</u>
Total liabilities	<u>19,070,219</u>	<u>18,063,122</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	17,766,023	17,542,601
Restricted	3,670,779	3,296,118
Unrestricted	<u>246,470</u>	<u>65,603</u>
Total net assets	<u><u>\$ 21,683,272</u></u>	<u><u>\$ 20,904,322</u></u>

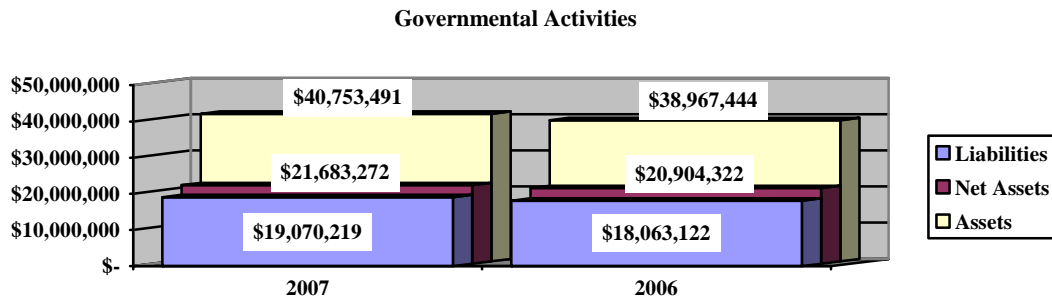
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$21,683,272.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

At year-end, capital assets represented 61.02% of total assets. Capital assets include land, land improvements, buildings, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$17,766,023. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$3,670,779, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$246,470 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2007 and 2006.

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,216,319	\$ 1,568,641
Operating grants and contributions	2,107,517	1,268,888
Capital grants and contributions	49,978	10,647
General revenues:		
Property taxes	7,113,823	6,761,984
Grants and entitlements	11,957,545	12,661,318
Investment earnings	378,066	221,532
Other	<u>352,670</u>	<u>635,696</u>
Total revenues	<u>23,175,918</u>	<u>23,128,706</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Change in Net Assets	
	Governmental	Governmental
	Activities	Activities
	<u>2007</u>	<u>2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 9,255,123	\$ 9,270,563
Special	1,424,741	1,489,599
Vocational	207,487	188,714
Other	1,280,660	1,048,799
Support services:		
Pupil	1,152,641	1,178,940
Instructional staff	1,166,933	1,295,898
Board of education	11,245	7,196
Administration	2,123,137	2,180,525
Fiscal	449,962	477,968
Business	42,304	18,807
Operations and maintenance	1,839,197	2,063,179
Pupil transportation	1,614,138	1,492,409
Central	147,656	93,197
Food service operations	630,858	674,245
Operations of non-instructional services	136,423	160,966
Extracurricular activities	525,284	449,826
Interest and fiscal charges	<u>389,179</u>	<u>397,205</u>
Total expenses	<u>22,396,968</u>	<u>22,488,036</u>
<u>Extraordinary item</u>		
Litigation settlement	250,000	-
Payment to OSFC	<u>(250,000)</u>	<u>-</u>
Change in net assets	778,950	640,670
Net assets at beginning of year	<u>20,904,322</u>	<u>20,263,652</u>
Net assets at end of year	<u><u>\$ 21,683,272</u></u>	<u><u>\$ 20,904,322</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$778,950. Total governmental expenses of \$22,396,968 were offset by program revenues of \$3,373,814 and general revenues of \$19,802,104. Program revenues supported 15.06% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 82.29% of total governmental revenue. Real estate property is reappraised every six years.

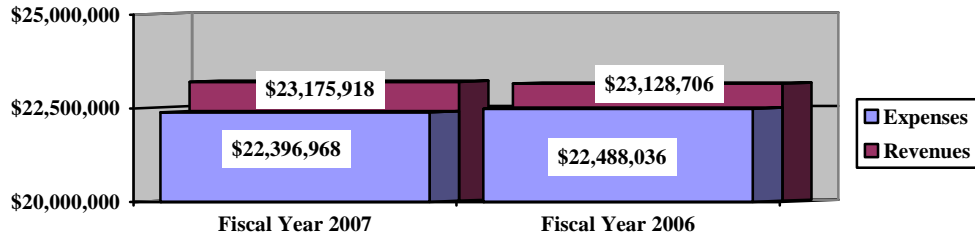
The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,168,011 or 54.33% of total governmental expenses for fiscal 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

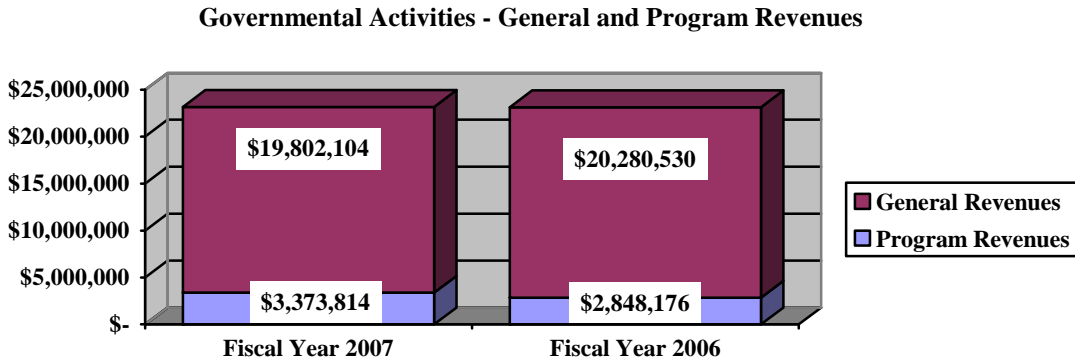
	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program expenses				
Instruction:				
Regular	\$ 9,255,123	\$ 8,544,582	\$ 9,270,563	\$ 9,159,208
Special	1,424,741	54,218	1,489,599	120,463
Vocational	207,487	153,426	188,714	188,714
Other	1,280,660	1,280,660	1,048,799	1,048,799
Support services:				
Pupil	1,152,641	1,045,224	1,178,940	1,024,540
Instructional staff	1,166,933	985,455	1,295,898	1,097,068
Board of education	11,245	11,245	7,196	7,196
Administration	2,123,137	2,110,180	2,180,525	2,163,286
Fiscal	449,962	449,962	477,968	477,968
Business	42,304	42,304	18,807	18,807
Operations and maintenance	1,839,197	1,836,923	2,063,179	2,047,392
Pupil transportation	1,614,138	1,489,877	1,492,409	1,470,958
Central	147,656	124,012	93,197	80,658
Food service operations	630,858	31,929	674,245	24,172
Operations of non-instructional services	136,423	10,715	160,966	40,546
Extracurricular activities	525,284	463,263	449,826	272,880
Interest and fiscal charges	389,179	389,179	397,205	397,205
Total expenses	<u>\$ 22,396,968</u>	<u>\$ 19,023,154</u>	<u>\$ 22,488,036</u>	<u>\$ 19,639,860</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 82.53% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.94%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$4,711,089, which is higher than last year's total of \$3,356,652. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	<u>Fund Balance June 30, 2007</u>	<u>Fund Balance June 30, 2006</u>	<u>Increase</u>
General	\$ 1,166,880	\$ 103,792	\$ 1,063,088
Classroom Facilities	1,620,419	1,578,925	41,494
Other Governmental	<u>1,923,790</u>	<u>1,673,935</u>	<u>249,855</u>
Total	<u>\$ 4,711,089</u>	<u>\$ 3,356,652</u>	<u>\$ 1,354,437</u>

General Fund

The District's general fund's fund balance increased by \$1,063,088. The increase in fund balance can be attributed to slightly decreasing revenues still being more than increased expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,079,624	\$ 5,712,829	6.42 %
Tuition	1,118,765	1,724,585	(35.13) %
Earnings on investments	307,005	166,715	84.15 %
Intergovernmental	12,783,716	12,546,412	1.89 %
Other revenues	<u>316,121</u>	<u>624,990</u>	(49.42) %
 Total	 <u>\$ 20,605,231</u>	 <u>\$ 20,775,531</u>	 (0.82) %
<u>Expenditures</u>			
Instruction	11,270,851	11,304,565	(0.30) %
Support services	7,921,907	7,826,148	1.22 %
Extracurricular activities	334,415	291,872	14.58 %
Debt service	<u>20,485</u>	<u>24,252</u>	(15.53) %
 Total	 <u>\$ 19,547,658</u>	 <u>\$ 19,446,837</u>	 0.52 %

Revenues of the general fund decreased slightly during the fiscal year primarily due to the decrease in tuition revenue and the decrease in other revenues. Expenditures increased slightly during the year primarily due to increases in the expenditures of extracurricular activities. The district received additional tax revenues in 2007 as a result of reaching the 20-mill limit for tax year 2006 (collected in 2007). This development resulted in any increased tax valuations (for instance, due to new construction) being taxed in the current year and therefore no longer subject to the HB 920 effect. Tuition collections decreased in 2007 due to the enrollment of approximately 60 students who live in a residential facility within the district into a community school. These students were withdrawn from Crestwood's instruction and the tuition for them was no longer collectible in 2007 at the same level as in 2006. Previous year's reductions in transportation were partially reinstated in 2007. In 2006 transportation was conducted at state-minimum levels: no busing K-8 within 2 miles of school; no High School busing. In 2007 transportation was restored to full busing of grades Kindergarten to 8; with still no busing for High School students.

Classroom Facilities Fund

The classroom facilities fund had \$319,360 in revenues and an extraordinary item and \$277,866 in expenditures and an extraordinary item. During fiscal 2007, the classroom facilities fund's fund balance increased \$41,494 from \$1,578,925 to \$1,620,419. The increase in fund balance can be attributed to the decrease in payments made from this fund in relation to the OSFC project.

General Fund Budgeting Highlights

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

During the course of fiscal 2007, the District amended its general fund budget several times. For the general fund, original revenues and other financing sources were \$19,736,201. The final budgeted revenues and other financing sources were increased to \$20,749,723. Actual revenues and other financing sources for fiscal 2007 were \$20,776,193. This represents a \$26,470 increase over final budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

General fund original appropriations (appropriated expenditures and other financing uses) of \$22,062,494 were increased to \$23,076,016 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$19,915,226, which was \$3,160,790 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$24,867,107 invested in land, land improvements, buildings, furniture and equipment and vehicles. The entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 1,586,606	\$ 1,550,480
Construction in progress	-	19,929,885
Land improvements	1,117,542	34,075
Buildings	20,059,217	1,485,453
Furniture and equipment	1,240,928	1,357,273
Vehicles	<u>862,814</u>	<u>829,288</u>
Total	<u>\$ 24,867,107</u>	<u>\$ 25,186,454</u>

Total additions to capital assets for 2007 were \$330,698. Depreciation expense for fiscal 2007 was \$650,045. Overall, capital assets of the District decreased \$319,347.

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

Debt Administration

At June 30, 2007, the District had \$7,316,498 in general obligation bonds outstanding, \$41,409 in EPA asbestos loan outstanding, and \$675 in capital lease obligations outstanding. Of this total, \$332,576 is due within one year and \$7,026,006 is due within greater than one year. The following table summarizes the debt outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 7,316,498	\$ 7,575,416
EPA asbestos loan	41,409	48,310
Capital lease	<u>675</u>	<u>20,127</u>
Total	<u>\$ 7,358,582</u>	<u>\$ 7,643,853</u>

At June 30, 2007, the District's overall legal debt margin was \$20,565,256 with an unvoted debt margin of \$301,265.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Current Financial Related Activities

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the 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 District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system.

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

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

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 7,141,042
Investments in segregated accounts.	26,480
Receivables:	
Taxes	8,242,733
Accounts	198,447
Intergovernmental	238,584
Accrued interest	329
Loans	3,700
Materials and supplies inventory	35,069
Capital assets:	
Land	1,586,606
Depreciable capital assets, net	<u>23,280,501</u>
Capital assets, net.	<u>24,867,107</u>
 Total assets.	 <u>40,753,491</u>
Liabilities:	
Accounts payable.	42,086
Accrued wages and benefits	2,272,524
Matured compensated absences payable	84,929
Pension obligation payable.	463,944
Intergovernmental payable	254,962
Unearned revenue.	7,631,813
Early retirement incentive payable	60,000
Accrued interest payable	27,240
Long-term liabilities:	
Due within one year.	350,655
Due within more than one year	<u>7,882,066</u>
 Total liabilities	 <u>19,070,219</u>
Net Assets:	
Invested in capital assets, net of related debt.	17,766,023
Restricted for:	
Capital projects	2,292,927
Debt service.	508,356
Permanent fund	32,539
Classroom facilities maintenance	578,964
State funded programs	21,083
Federally funded programs	6,391
Other purposes	230,519
Unrestricted.	<u>246,470</u>
 Total net assets	 <u>\$ 21,683,272</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

		Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 9,255,123	\$ 561,024	\$ 118,413	\$ 31,104	\$ (8,544,582)
Special	1,424,741	161,775	1,208,748	-	(54,218)
Vocational	207,487	-	54,061	-	(153,426)
Other	1,280,660	-	-	-	(1,280,660)
Support services:					
Pupil	1,152,641	-	107,417	-	(1,045,224)
Instructional staff	1,166,933	2,539	178,939	-	(985,455)
Board of education	11,245	-	-	-	(11,245)
Administration	2,123,137	-	12,957	-	(2,110,180)
Fiscal	449,962	-	-	-	(449,962)
Business	42,304	-	-	-	(42,304)
Operations and maintenance	1,839,197	612	-	1,662	(1,836,923)
Pupil transportation	1,614,138	5,659	101,390	17,212	(1,489,877)
Central	147,656	-	23,644	-	(124,012)
Operation of non-instructional services:					
Food service operations	630,858	420,549	178,380	-	(31,929)
Other non-instructional services	136,423	2,140	123,568	-	(10,715)
Extracurricular activities	525,284	62,021	-	-	(463,263)
Interest and fiscal charges	389,179	-	-	-	(389,179)
Total governmental activities	\$ 22,396,968	\$ 1,216,319	\$ 2,107,517	\$ 49,978	(19,023,154)
General Revenues:					
Property taxes levied for:					
General purposes					6,058,023
Special revenue					69,002
Debt service					578,635
Capital projects					408,163
Grants and entitlements not restricted to specific programs					11,957,545
Investment earnings					378,066
Miscellaneous					352,670
Total general revenues					19,802,104
Extraordinary items:					
Litigation settlement					250,000
Payment to OSFC					(250,000)
Total general revenues and extraordinary items					19,802,104
Change in net assets					778,950
Net assets at beginning of year					20,904,322
Net assets at end of year					\$ 21,683,272

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,321,002	\$ 1,620,419	\$ 1,980,102	\$ 6,921,523
Investments in segregated accounts	-	-	26,480	26,480
Receivables:				
Taxes	6,983,492	-	1,259,241	8,242,733
Accounts	191,867	-	6,580	198,447
Intergovernmental	1,374	-	237,210	238,584
Accrued interest	-	-	329	329
Interfund loan receivable	144,311	-	-	144,311
Loans	3,700	-	-	3,700
Materials and supplies inventory	12,416	-	22,653	35,069
Restricted assets:				
Equity in pooled cash and cash equivalents	219,519	-	-	219,519
Total assets	<u>\$ 10,877,681</u>	<u>\$ 1,620,419</u>	<u>\$ 3,532,595</u>	<u>\$ 16,030,695</u>
Liabilities:				
Accounts payable	\$ 34,798	\$ -	\$ 7,288	\$ 42,086
Accrued wages and benefits	2,097,588	-	174,936	2,272,524
Matured compensated absences payable.	84,929	-	-	84,929
Pension obligation payable	428,828	-	35,116	463,944
Intergovernmental payable	238,671	-	16,291	254,962
Interfund loan payable	-	-	144,311	144,311
Deferred revenue	301,616	-	63,421	365,037
Unearned revenue	6,464,371	-	1,167,442	7,631,813
Early retirement incentive payable	60,000	-	-	60,000
Total liabilities	<u>9,710,801</u>	<u>-</u>	<u>1,608,805</u>	<u>11,319,606</u>
Fund Balances:				
Reserved for encumbrances	201,667	263,739	146,673	612,079
Reserved for materials and supplies inventory	12,416	-	22,653	35,069
Reserved for tax revenue available for appropriation.	217,505	-	40,942	258,447
Reserved for endowments	-	-	26,480	26,480
Reserved for textbooks.	202,307	-	-	202,307
Reserved for bus purchases	17,212	-	-	17,212
Reserved for advance	-	-	144,311	144,311
Unreserved, undesignated, reported in:				
General fund.	515,773	-	-	515,773
Permanent improvement fund	-	-	5,859	5,859
Special revenue funds.	-	-	508,249	508,249
Debt service fund	-	-	487,371	487,371
Capital projects funds.	-	1,356,680	541,252	1,897,932
Total fund balances	<u>1,166,880</u>	<u>1,620,419</u>	<u>1,923,790</u>	<u>4,711,089</u>
Total liabilities and fund balances.	<u>\$ 10,877,681</u>	<u>\$ 1,620,419</u>	<u>\$ 3,532,595</u>	<u>\$ 16,030,695</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances		\$	4,711,089
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			24,867,107
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	352,473	
Intergovernmental revenue		12,364	
Accrued interest		200	
Total			365,037
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(27,240)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(7,316,498)	
Asbestos removal loan		(41,409)	
Compensated absences		(874,139)	
Capital leases		(675)	
Total			(8,232,721)
Net assets of governmental activities		\$	21,683,272

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 6,079,624	\$ -	\$ 1,054,919	\$ 7,134,543
Tuition.	1,118,765	-	-	1,118,765
Transportation fees.	5,659	-	-	5,659
Charges for services.	-	-	420,442	420,442
Earnings on investments.	307,005	69,360	3,748	380,113
Extracurricular.	-	-	98,309	98,309
Classroom materials and fees	-	-	92,028	92,028
Other local revenues.	310,462	-	66,008	376,470
Intergovernmental - state	12,783,716	-	344,621	13,128,337
Intergovernmental - federal.	-	-	992,558	992,558
Total revenue	<u>20,605,231</u>	<u>69,360</u>	<u>3,072,633</u>	<u>23,747,224</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,739,082	-	234,192	8,973,274
Special.	1,045,149	-	389,272	1,434,421
Vocational.	211,150	-	10,000	221,150
Other	1,275,470	-	-	1,275,470
Support services:				
Pupil.	1,024,547	-	113,539	1,138,086
Instructional staff	972,997	-	178,748	1,151,745
Board of education	11,245	-	-	11,245
Administration.	2,076,060	-	18,453	2,094,513
Fiscal	425,038	-	20,350	445,388
Business	42,304	-	-	42,304
Operations and maintenance.	1,756,396	-	69,032	1,825,428
Pupil transportation	1,511,011	-	17,097	1,528,108
Central.	102,309	-	45,347	147,656
Operation of non-instructional services:				
Food service operations	-	-	626,665	626,665
Other non-instructional services	-	-	119,591	119,591
Extracurricular activities.	334,415	-	148,408	482,823
Facilities acquisition and construction	-	27,866	183,983	211,849
Debt service:				
Principal retirement	19,452	-	321,901	341,353
Interest and fiscal charges	1,033	-	333,101	334,134
Total expenditures	<u>19,547,658</u>	<u>27,866</u>	<u>2,829,679</u>	<u>22,405,203</u>
Excess of revenues over expenditures	<u>1,057,573</u>	<u>41,494</u>	<u>242,954</u>	<u>1,342,021</u>
Other financing sources (uses):				
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>
Extraordinary item:				
Litigation settlement.	-	250,000	-	250,000
Payment to OSFC.	-	(250,000)	-	(250,000)
Net change in fund balances	1,050,672	41,494	249,855	1,342,021
Fund balances at beginning of year.	103,792	1,578,925	1,673,935	3,356,652
Increase in reserve for inventory	12,416	-	-	12,416
Fund balances at end of year	<u>\$ 1,166,880</u>	<u>\$ 1,620,419</u>	<u>\$ 1,923,790</u>	<u>\$ 4,711,089</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds \$ 1,342,021

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

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

Capital asset additions	\$	330,698	
Current year depreciation		(650,045)	
Total			(319,347)

In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.

Decrease in accrued interest payable		1,037	
Accreted interest on "capital appreciation" bonds		(56,082)	
Total			(55,045)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.

12,416

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

Taxes		(20,720)	
Intergovernmental revenue		(27,395)	
Accrued interest		200	
Accounts receivable		(523,391)	
Total			(571,306)

Repayment of bonds, loans, and capital leases are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

341,353

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

28,858

Change in net assets of governmental activities \$ 778,950

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 5,892,259	\$ 6,197,803	\$ 6,205,782	\$ 7,979
Tuition	933,265	981,660	982,924	1,264
Transportation fees	4,221	4,439	4,445	6
Earnings on investments	291,494	306,610	307,005	395
Other local revenues	286,177	301,016	301,404	388
Intergovernmental - state	12,137,868	12,767,278	12,783,716	16,438
Total revenue	<u>19,545,284</u>	<u>20,558,806</u>	<u>20,585,276</u>	<u>26,470</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,636,104	10,078,775	8,698,255	1,380,520
Special	1,209,999	1,265,585	1,092,234	173,351
Vocational	198,714	207,843	179,374	28,469
Other	1,336,569	1,397,968	1,206,485	191,483
Support services:				
Pupil	1,130,432	1,182,363	1,020,411	161,952
Instructional staff	1,099,261	1,149,759	992,273	157,486
Board of education	12,322	12,888	11,123	1,765
Administration	2,373,062	2,482,078	2,142,100	339,978
Fiscal	484,482	506,738	437,329	69,409
Business	52,867	55,296	47,722	7,574
Operations and maintenance	2,066,377	2,161,303	1,865,263	296,040
Pupil transportation	1,709,204	1,787,723	1,542,853	244,870
Central	114,551	119,813	103,402	16,411
Extracurricular activities	357,705	374,138	322,891	51,247
Total expenditures	<u>21,781,649</u>	<u>22,782,270</u>	<u>19,661,715</u>	<u>3,120,555</u>
Excess of revenues over (under) expenditures	<u>(2,236,365)</u>	<u>(2,223,464)</u>	<u>923,561</u>	<u>3,147,025</u>
Other financing sources (uses):				
Refund of prior year expenditure	16,958	16,958	16,958	-
Transfers (out)	(7,645)	(7,996)	(6,901)	1,095
Advances in	172,363	172,363	172,363	-
Advances (out)	(273,200)	(285,750)	(246,610)	39,140
Sale of capital assets	1,596	1,596	1,596	-
Total other financing sources (uses)	<u>(89,928)</u>	<u>(102,829)</u>	<u>(62,594)</u>	<u>40,235</u>
Net change in fund balance	(2,326,293)	(2,326,293)	860,967	3,187,260
Fund balance at beginning of year	1,959,439	1,959,439	1,959,439	-
Prior year encumbrances appropriated . . .	366,854	366,854	366,854	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,187,260</u>	<u>\$ 3,187,260</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 582	\$ 67,281
Investments in segregated accounts.	12,354	-
Receivables:		
Accrued interest	117	-
Total assets	13,053	\$ 67,281
Liabilities:		
Accounts payable.	-	\$ 1,656
Loan	-	3,700
Due to students	-	61,925
Total liabilities	-	\$ 67,281
Net Assets:		
Held in trust for scholarships	13,053	
Total net assets	\$ 13,053	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 617
Total additions.	617
Deductions:	
Scholarships awarded	85
Change in net assets	532
Net assets at beginning of year	12,521
Net assets at end of year.	\$ 13,053

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the District's four instructional/support facilities staffed by 126 non-certificated employees and 174 certificated full time teaching and support personnel who provide services to 2,496 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

The District is a member of SPARCC. SPARCC is the computer service organization or Data Acquisition Site (DAS) used by the School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges and assessments as charged. A board made up of superintendents from all of the participating school districts governs SPARCC. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the general fund. During the fiscal year, the District contributed \$50,448 to SPARCC.

Portage County School Consortium (the "Consortium")

The District is a member of the Portage County School Consortium, a insurance group-purchasing consortium made up of thirteen districts in Portage County. All member districts pay an insurance premium directly to the Consortium. The District paid \$2,799,378 in the form of health care premiums to the Consortium during the fiscal year.

Maplewood Career Center (the "Center")

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

D. Basis of Accounting

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

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

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2007. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

F. Cash and Investments

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

During fiscal year 2007, investments were limited to certificates of deposit, overnight repurchase agreements, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

The District has invested funds in STAR Ohio during fiscal 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the Building capital projects fund, or certain trust funds individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$307,005, which includes \$134,990 assigned from other District funds.

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

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

L. Fund Balance Reserves

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

M. Net Assets

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

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved on the fund financial statements by an amount equal to the carrying value of the asset.

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. Restricted assets also include monies received from the state that are restricted for school bus purchases and textbooks. Fund balances reserves have also been established (See Note 16).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2007, the District incurred two transactions that would be classified as extraordinary items. The extraordinary items involve a lawsuit between the District and a private contractor. The District sued the contractor for items related to the work performed. The District won the lawsuit and received \$250,000 in a settlement. Since the work was related to the District's OSFC project the District had to pay the settlement money to the State. The extraordinary items are reflected on the statement of activities.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service Fund	\$ 84,158
Athletics	879
Miscellaneous State Grant	4,424
Title I/Chapter 1	289
Improving Teacher Quality	1,011

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year-end, the District had \$2,370 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$(212,135), exclusive of the \$7,456,670 repurchase agreement included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments." Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$100,550 of the District's bank balance of \$239,384 was exposed to custodial risk as discussed below, while \$138,834 was covered by Federal Deposit Insurance Corporation.

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

C. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase Agreement	\$ 7,456,670	\$ 7,456,670
STAR Ohio	834	834
	<u>\$ 7,457,504</u>	<u>\$ 7,457,504</u>

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$7,456,670 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 7,456,670	99.99
STAR Ohio	834	0.01
	<u>\$ 7,457,504</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ (212,135)
Investments	7,457,504
Cash on hand	2,370
Total	<u>\$ 7,247,739</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 7,167,522
Private-purpose trust funds	12,936
Agency funds	67,281
Total	<u>\$ 7,247,739</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 144,311

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

<u>Transfers to Nonmajor Governmental Funds from:</u>	<u>Amount</u>
General Fund	\$ 6,901

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes.

Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The District receives property taxes from Portage County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2007 was \$217,505 in the general fund, and the following nonmajor governmental funds; \$4,291 in the classroom facility maintenance special revenue fund, \$23,039 in the debt service fund and \$13,612 in the capital projects funds. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2006 was \$343,663 in the general fund, and the following nonmajor governmental funds; \$7,301 in the classroom facility maintenance special revenue fund, \$39,074 in the debt service fund, and \$23,325 in the capital projects funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 263,865,930	92.50	\$ 292,527,770	94.63
Public Utility Personal	10,465,100	3.67	10,529,090	3.41
Tangible Personal Property	<u>10,935,395</u>	<u>3.83</u>	<u>6,073,619</u>	<u>1.96</u>
Total	<u>\$ 285,266,425</u>	<u>100.00</u>	<u>\$ 309,130,479</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$53.25		\$53.25	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities

Taxes	\$ 8,242,733
Accounts	198,447
Intergovernmental	238,584
Accrued interest	329
Loans	<u>3,700</u>
Total	<u>\$ 8,683,793</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Disposals	Balance June 30, 2007
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,550,480	\$ 36,126	\$ -	\$ 1,586,606
Construction in progress	19,929,885	47,269	(19,977,154)	-
Total capital assets, not being depreciated	<u>21,480,365</u>	<u>83,395</u>	<u>(19,977,154)</u>	<u>1,586,606</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	34,770	1,099,903	-	1,134,673
Buildings	4,784,835	18,841,125	-	23,625,960
Furniture and equipment	3,165,910	54,944	(62,260)	3,158,594
Vehicles	2,560,999	228,485	(178,076)	2,611,408
Total capital assets, being depreciated	<u>10,546,514</u>	<u>20,224,457</u>	<u>(240,336)</u>	<u>30,530,635</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(695)	(16,436)	-	(17,131)
Building	(3,299,382)	(267,361)	-	(3,566,743)
Furniture and equipment	(1,808,637)	(171,289)	62,260	(1,917,666)
Vehicles	(1,731,711)	(194,959)	178,076	(1,748,594)
Total accumulated depreciation	<u>(6,840,425)</u>	<u>(650,045)</u>	<u>240,336</u>	<u>(7,250,134)</u>
Governmental activities capital assets, net	<u>\$ 25,186,454</u>	<u>\$ 19,657,807</u>	<u>\$ (19,977,154)</u>	<u>\$ 24,867,107</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 309,234
Special	7,529
<u>Support Services:</u>	
Pupil	9,274
Instructional staff	25,440
Administration	23,047
Fiscal	2,798
Operations and maintenance	19,540
Pupil transportation	204,058
Operation of non-instructional	4,596
Extracurricular activities	42,461
Food service operations	<u>2,068</u>
Total depreciation expense	<u>\$ 650,045</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District 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 consisting of equipment have been capitalized in the amount of \$93,874. Accumulated depreciation on these assets was \$93,134, resulting in a carrying value of \$740. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$19,452 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 693
Total minimum lease payments	693
Less amount representing interest	<u>(18)</u>
Total	<u>\$ 675</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Balance <u>June 30, 2006</u>	Increase	Decrease	Balance <u>June 30, 2007</u>	Amount Due in <u>One Year</u>
<u>General Obligation Bonds:</u>					
2001 School Improvements, 5.00%					
Serial and term bonds	\$ 6,955,110	\$ -	\$ (305,000)	\$ 6,650,110	\$ 315,000
Capital appreciation bonds	233,890	-	-	233,890	-
Accreted interest	196,952	54,839	-	251,791	-
2001 Site Acquisition, 5.00%					
Serial and term bonds	180,000	-	(10,000)	170,000	10,000
Capital appreciation bonds	5,000	-	-	5,000	-
Accreted interest	4,464	1,243	-	5,707	-
Total general obligation bonds	<u>7,575,416</u>	<u>56,082</u>	<u>(315,000)</u>	<u>7,316,498</u>	<u>325,000</u>
<u>Other Liabilities:</u>					
EPA asbestos removal loan	48,310	-	(6,901)	41,409	6,901
Compensated absences	818,068	132,865	(76,794)	874,139	18,079
Capital leases	20,127	-	(19,452)	675	675
Total other liabilities	<u>886,505</u>	<u>132,865</u>	<u>(103,147)</u>	<u>916,223</u>	<u>25,655</u>
Total	<u>\$ 8,461,921</u>	<u>\$ 188,947</u>	<u>\$ (418,147)</u>	<u>\$ 8,232,721</u>	<u>\$ 350,655</u>

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

Capital lease obligations will be paid from the general fund.

B. Early Retirement Incentive

The District provides an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS Ohio) employees. Employees who enroll in the early retirement incentive plan must declare the intention to retire the last day of the first semester of the year in which they plan to retire and retire July 1 of the same year. The one time cash payment of \$10,000 shall be paid in two installments \$5,000 in retiring calendar year and \$5,000 in the following calendar year. Six (6) employees took advantage of the early retirement incentive in fiscal year 2007. These one-time cash payments will be made in July 2007 and January 2008. A liability for the early retirement incentive payments has been recorded in the fund financial statements and the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- C. In fiscal year 2001, the District issued bonds for the site acquisition and construction of classroom facilities in the amount of \$210,000 and \$8,474,000, respectively. Each of the bond issues will mature on December 1, 2023. All bonds are general obligation bonds for which the full faith and credit of the District is pledged and will be paid from property taxes in the bond retirement debt service fund. Both bond issues include serial, term and capital appreciation bonds. Current year additions amounted to \$56,082 which represents the accretion of discounted interest. The final maturity amounts of the classroom facilities and site acquisition capital appreciation bonds will be \$695,000 and \$15,000, respectively.

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

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 325,000	\$ 320,299	\$ 645,299	\$ -	\$ -	\$ -
2009	340,000	306,662	646,662	-	-	-
2010	-	299,607	299,607	126,600	228,400	355,000
2011	-	299,607	299,607	112,290	242,710	355,000
2012	355,000	291,709	646,709	-	-	-
2013 - 2017	2,030,000	1,191,974	3,221,974	-	-	-
2018 - 2022	2,560,000	634,884	3,194,884	-	-	-
2023 - 2024	1,210,110	61,250	1,271,360	-	-	-
Total	<u>\$ 6,820,110</u>	<u>\$ 3,405,992</u>	<u>\$ 10,226,102</u>	<u>\$ 238,890</u>	<u>\$ 471,110</u>	<u>\$ 710,000</u>

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

Fiscal Year Ended	EPA Asbestos Removal Loan	
	Principal	Total
2008	\$ 6,901	\$ 6,901
2009	6,901	6,901
2010	6,901	6,901
2011	6,901	6,901
2012	6,901	6,901
2013	6,904	6,904
Total	<u>\$ 41,409</u>	<u>\$ 41,409</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$20,565,256 (including available funds of \$510,410) and an unvoted debt margin of \$301,265.

NOTE 11 - RISK MANAGEMENT

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

A. Property and liability

The District is a member of the Portage County School Consortium (the "Consortium") for health insurance for the District's employees. The Consortium was established in 1981 so that thirteen educational-service providers in Portage County could manage risk exposures and purchase necessary insurance coverage as a group. The Consortium is organized into two distinct entities to facilitate its risk management operations. The Property and Casualty Insurance Pool functions to manage the member districts' physical property and liability risks. The Health and Welfare Trust is to facilitate the management of risks associate with providing employee benefits, coverage such as health and accident insurance, disability insurance and life insurance. The 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 District pays all insurance premiums directly to the Consortium. Although the District does not participate in the day-to-day management of the Consortium, one of its administrators serves as a trustee of the Consortium's governing board as provided in the consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the Consortium become depleted, it is the opinion of management that the assets of the Consortium are sufficient to meet its claims.

In addition, the District contracted with Indiana Insurance for property, Nationwide Agribusiness for employee bonding, and Ohio School Plan for general liability insurance during fiscal year 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

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

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

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$318,249, \$352,423, and \$379,451; 48.04 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$165,354 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 12 - PENSION PLANS - (Continued)

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,209,825, \$1,257,375 and \$1,328,422; 84.42 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$188,463 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$12,420 made by the District and \$15,337 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$93,063 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$158,263 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
- (d) Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 860,967
Net adjustment for revenue accruals	19,955
Net adjustment for expenditure accruals	(239,650)
Net adjustment for other sources/uses	56,139
Adjustment for encumbrances	<u>353,261</u>
GAAP basis	<u>\$ 1,050,672</u>

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2007.

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside cash balance as of June 30, 2006	\$ 129,499	\$ -
Current year set-aside requirement	385,548	385,548
Current year offsets	-	(459,043)
Qualifying disbursements	<u>(312,740)</u>	<u>-</u>
Total	<u>\$ 202,307</u>	<u>\$ (73,495)</u>
Balance carried forward to FY 2008	<u>\$ 202,307</u>	<u>\$ -</u>

The District did not have enough qualifying disbursements to reduce the set-aside amount below zero for the textbooks/instructional materials. Restricted cash fund balance and a reservation of fund balance has been established in the General fund of \$202,307.

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

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases. The balance in the monies restricted for school bus purchases was \$17,212 at June 30, 2007. This balance is reported as restricted equity in pooled cash and reserved fund balance.

A schedule of the restricted assets at June 30, 2007 follows:

Amounts restricted for textbooks	\$202,307
Amounts restricted for bus purchase	<u>17,212</u>
Total restricted assets	<u>\$219,519</u>

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 2007, the District had the following contractual commitments outstanding related to the construction project. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2007</u>	<u>Remaining Contract Amount</u>
A&B Mechanical, Inc.	<u>\$ 2,305,097</u>	<u>\$ 2,057,501</u>	<u>\$ 247,596</u>
Total	<u>\$ 2,305,097</u>	<u>\$ 2,057,501</u>	<u>\$ 247,596</u>

Crestwood Local School District

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Report Letters

June 30, 2007

CRESTWOOD LOCAL SCHOOL DISTRICT

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 28, 2007

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Crestwood Local School District as of and for the year ended June 30, 2007, and have issued our report thereon dated December 28, 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 District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

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

Crestwood Local School District, Portage County, Ohio

Internal Control-Compliance Report

Page 2

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

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

Hea & Associates, Inc.



December 28, 2007

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

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of the Crestwood Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. Crestwood Local 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 the Crestwood Local School District's management. Our responsibility is to express an opinion on Crestwood Local School District's compliance based on our audit.

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

In our opinion, Crestwood Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

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

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestwood Local School District as of and for the year ended June 30, 2007, and have issued our report thereon dated December 28, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements of the Crestwood Local School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Hea & Associates, Inc.

CRESTWOOD LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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-S1-2006	\$ 17,043	\$ 17,360	\$ 0
Title I	84.010	C1-S1-2007	82,103	84,474	0
Title I	84.010	C1-SD-2007	52,103	57,899	0
Total Title I			<u>151,249</u>	<u>159,733</u>	<u>0</u>
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-2006	91,844	93,546	0
IDEA-B	84.027	6B-SF-2007	394,911	431,322	0
Total IDEA-B			<u>486,755</u>	<u>524,868</u>	<u>0</u>
Preschool Grants	84.173	PG-S1-2007P	8,672	8,672	0
Total Preschool Grants			<u>8,672</u>	<u>8,672</u>	<u>0</u>
<i>Total Special Education Cluster</i>					
			<u>495,427</u>	<u>533,540</u>	<u>0</u>
Title IV-A Safe and Drug-Free Schools	84.186	DR-S1-2006	1,247	612	0
Title IV-A Safe and Drug-Free Schools	84.186	DR-S1-2007	1,288	2,295	0
Total Safe and Drug-Free Schools and Communities			<u>2,535</u>	<u>2,907</u>	<u>0</u>
Title V Innov	84.298	C2-S1-2006	1,195	1,884	0
Title V Innov	84.298	C2-S1-2007	6,578	6,542	0
Total Title V			<u>7,773</u>	<u>8,426</u>	<u>0</u>
Title II-D Technology	84.318	TJ-S1-2006	1,618	2,055	0
Title II-D Technology	84.318	TJ-S1-2007	1,473	901	0
Total Title II-D			<u>3,091</u>	<u>2,956</u>	<u>0</u>
Title II-A	84.367	TR-S1-2006	6,843	11,986	0
Title II-A	84.367	TR-S1-2007	66,271	69,674	0
Total Title II-A			<u>73,114</u>	<u>81,660</u>	<u>0</u>
Total Department of Education			<u>733,189</u>	<u>789,222</u>	<u>0</u>
U. S. Department of Agriculture (Passed Through Ohio Department of Education):					
Food Distribution Program (A) (B)	10.550		73,905		73,905
Nutrition Cluster:					
National School Lunch Program (B)	10.555	LL-P4-2006	40,352	40,352	0
National School Lunch Program (B)	10.555	LL-P4-2007	106,197	106,197	0
Total Nutrition Cluster			<u>146,549</u>	<u>146,549</u>	<u>0</u>
Total Department of Agriculture			<u>220,454</u>	<u>146,549</u>	<u>73,905</u>
Total Federal Assistance			<u>\$ 953,643</u>	<u>\$ 935,771</u>	<u>\$ 73,905</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.

**CRESTWOOD LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2007**

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 significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Special Education Cluster #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
FEBRUARY 5, 2008**