



Dave Yost • Auditor of State

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestview Local School District, Columbiana County, Ohio (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crestview Local School District, Columbiana County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipt and Expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipt and Expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

August 30, 2011

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of the financial performance of Crestview Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

In total, net assets increased \$617,406.

General revenues accounted for \$8,831,104, or approximately 67.6 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$4,168,584 or almost 32 percent of total revenues of \$12,999,668.

The District's major funds included the General Fund, the Bond Retirement Debt Service Fund and the Building Capital Projects Fund. On the modified accrual basis, the General Fund had \$10,304,029 in revenues and \$9,905,677 in expenditures. The General Fund's balance increased \$466,914 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$309,176 in revenues and \$265,998 in expenditures. The Bond Retirement Debt Service Fund's balance increased \$43,178 from the previous fiscal year. The Building Capital Projects Fund had \$4,800,000 in bond proceeds and \$2,825,984 in expenditures. The Building Capital Projects Fund's balance increased \$1,960,696 from the previous fiscal year.

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

Using the Basic Financial Statements

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole 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 and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Crestview Local School District, the General Fund, the Bond Retirement Debt Service Fund, and the Building Capital Projects Fund are the three major funds of the District and are the most significant.

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

between governmental funds and governmental activities.

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

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2011 compared to fiscal year 2010.

Table 1

	2011	2010	Increase (Decrease)
	<u>Governmental Activities</u>	<u>Governmental Activities</u>	
Assets:			
Current and Other Assets	\$8,568,924	\$5,144,027	\$3,424,897
Capital Asset, Net of Accumulated Depreciation	<u>14,395,371</u>	<u>12,315,981</u>	<u>2,079,390</u>
<i>Total Assets</i>	<u>22,964,295</u>	<u>17,460,008</u>	<u>5,504,287</u>
Liabilities:			
Current Liabilities	4,302,375	3,845,687	456,688
Long-term Liabilities:			
Due within One Year	603,725	374,644	229,081
Due in More than One Year	<u>5,756,579</u>	<u>1,555,467</u>	<u>4,201,112</u>
<i>Total Liabilities</i>	<u>10,662,679</u>	<u>5,775,798</u>	<u>4,886,881</u>
Net Assets:			
Invested in Capital Assets, Net of Debt	10,813,293	11,002,984	(189,691)
Restricted	711,407	534,109	177,298
Unrestricted	<u>776,916</u>	<u>147,117</u>	<u>629,799</u>
<i>Total Net Assets</i>	<u>\$12,301,616</u>	<u>\$11,684,210</u>	<u>\$617,406</u>

Total assets increased by \$5,504,287. The increase can be attributed to an overall increase in cash on hand from the previous fiscal year due to unspent proceeds from the bond issuance in the Building capital projects fund.

Total liabilities increased by \$4,886,881. This increase was due mostly to the District issuing \$4,800,000 in bonds and increasing the principal balance on its outstanding long-term obligations.

By comparing assets and liabilities, one can see the overall position of the School District has somewhat increased as evidenced by the increase in net assets of \$617,406.

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 reflects the changes in net assets for fiscal year 2011 compared to fiscal year 2010.

Table 2
Change in Net Assets
Governmental Activities

	2011	2010	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$2,929,057	\$2,536,176	\$392,881
Operating Grants and Contributions	1,239,527	1,002,536	236,991
<i>Total Program Revenues</i>	<u>4,168,584</u>	<u>3,538,712</u>	<u>629,872</u>
General Revenues			
Property Taxes	2,471,916	2,485,250	(13,334)
Income Tax	1,072,762	986,986	85,776
Intergovernmental	4,877,528	4,969,102	(91,574)
Investment Earnings	41,671	50,114	(8,443)
Miscellaneous	367,227	92,559	274,668
<i>Total General Revenues</i>	<u>8,831,104</u>	<u>8,584,011</u>	<u>247,093</u>
<i>Total Revenues</i>	<u>12,999,688</u>	<u>12,122,723</u>	<u>876,965</u>
Program Expenses			
Current:			
Instruction	6,839,315	6,978,996	(139,681)
Support Services:			
Pupil	561,024	512,477	48,547
Instructional Staff	411,822	563,297	(151,475)
Board of Education	15,473	27,431	(11,958)
Administration	920,485	857,994	62,491
Fiscal	336,873	344,987	(8,114)
Business	345	345	0
Operation and Maintenance of Plant	1,298,278	1,281,435	16,843
Pupil Transportation	811,813	622,684	189,129
Central	18,786	18,165	621
Operation of Non-Instructional Services	285	2,159	(1,874)
Operation of Food Services	565,274	571,346	(6,072)
Extracurricular Activities	403,050	377,086	25,964
Interest and Fiscal Charges	268,721	75,493	193,228
<i>Total Program Expenses</i>	<u>12,451,544</u>	<u>12,233,895</u>	<u>217,649</u>
Extraordinary Item - Insurance Proceeds	69,262	0	69,262
<i>Increase (Decrease) in Net Assets</i>	617,406	(111,172)	728,578
Net Assets Beginning of Year	11,684,210	11,795,382	(111,172)
<i>Net Assets End of Year</i>	<u>\$12,301,616</u>	<u>\$11,684,210</u>	<u>\$617,406</u>

The primary sources of revenue for governmental activities are derived from grants and entitlements and property and income taxes. These revenue sources represent approximately 64 percent of total governmental revenue. Real estate property is reappraised every six years.

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The largest expense of the District is for instruction, which totaled \$6,839,315 or 55 percent of total governmental expenses. Support service expenses totaled \$4,374,899, or 35 percent of total governmental expenses for fiscal year 2011.

Governmental Activities

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

Table 3
Total and Net Cost of Program Services

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$6,839,315	\$4,689,200	\$6,978,996	\$5,237,590
Support Services:				
Pupil	561,024	414,149	512,477	347,731
Instructional Staff	411,822	182,222	563,297	377,920
Board of Education	15,473	11,493	27,431	21,697
Administration	920,485	560,310	857,994	549,806
Fiscal	336,873	256,906	344,987	277,463
Business	345	345	345	345
Operation and Maintenance of Plant	1,298,278	1,040,495	1,281,435	1,056,374
Pupil Transportation	811,813	620,356	622,684	507,181
Central	18,786	14,153	18,165	13,843
Operation of Non-Instructional Services	285	(287)	2,159	149
Food Service Operation	565,274	3,378	571,346	25,190
Extracurricular Activities	403,050	221,519	377,086	204,401
Interest and Fiscal Charges	268,721	268,721	75,493	75,493
<i>Total Expenditures</i>	<u>\$12,451,544</u>	<u>\$8,282,960</u>	<u>\$12,233,895</u>	<u>\$8,695,183</u>

The dependence upon property and income tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 67 percent of all District expenses are supported through income and property taxes and unrestricted grants and entitlements. Program revenues supported nearly 34 percent of total expenses, while interest and miscellaneous revenues supported more than 3 percent. Overall, all current fiscal year expenses were covered by current fiscal year revenues, resulting in an overall increase in net assets of \$617,406.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, and the Building Capital Projects Fund. Total governmental funds had revenues of \$13,063,266 and expenditures of \$15,075,189. The net overall increase in fund balance of \$2,844,019 for the year indicates that the District was able to meet current costs.

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2011, the District amended its General Fund budget as needed.

The variance between final budgeted and actual revenues of \$8,606 was not significant.

Final expenditures were budgeted at \$10,177,473 while actual expenditures were \$9,951,598. The \$225,875 difference is primarily due to a conservative "worst case scenario" approach, and is not significant, as it is less than 3 percent of the total budget. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$14,395,371 invested in capital assets (net of accumulated depreciation) for governmental activities. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

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

	<u>2011</u>	<u>2010</u>
Land	\$250,000	\$250,000
Construction in Progress	2,613,081	301,355
Land Improvements	149,949	154,172
Buildings and Improvements	10,760,533	10,975,582
Furniture, Fixtures and Equipment	328,878	375,393
Vehicles	<u>292,930</u>	<u>259,479</u>
<i>Total</i>	<u>\$14,395,371</u>	<u>\$12,315,981</u>

All capital assets, except land and construction in progress, are reported net of depreciation. As one can see, the District had an overall increase in capital assets of \$2,079,390. The increase is due to the capital asset additions related to the District's auditorium project.

For further information regarding the District's capital assets, see Note 11 to the basic financial statements.

Debt

As of June 30, 2011, the District's outstanding long-term obligations included \$4,787,180 in school construction bonds for the performing arts/auditorium project, \$944,958 in school facilities improvement refunding bonds for building improvements and a capital lease of \$224,000. The school construction bonds were issued for a 20 year period, with final maturity on September 15, 2030 and the refunding bonds were issued for a twelve-year period, with final maturity on December 1, 2015. The bonds are being retired through the Bond Retirement Debt Service Fund. The District entered into a capitalized lease for the construction of a football stadium and track. The lease will be paid off in fiscal year 2013.

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

At June 30, 2011, the District's overall legal debt margin was \$9,107,255, with an un-voted debt margin of \$103,073.

For further information regarding the District's debt, see Note 17 to the basic financial statements.

Current Issues

The District is a small rural community in Northeast Ohio. The District's 2010 population was 6,200. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is holding its own in the state of a declining economy and uncertainty in State funding. As the preceding information shows, the District relies heavily upon property taxes, school district income tax, the state foundation program and open enrollment. The District has been working to prevent operating fund deficits by implementing budget cuts and negotiating wage freezes with all staff for fiscal year 2011, 2012 and 2013. The Board recently completed negotiations with both unions and will be implanting those cost reducing savings.

The District is also currently experiencing a declining resident enrollment. In order to offset the decrease, the District adopted an Open Enrollment Policy effective with the 2003 fiscal year. Currently for the 2010-2011 school year the District has a net open enrollment population of approximately 317 students.

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

Contacting the District's Financial Management

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

Crestview Local School District

Columbiana County, Ohio

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,019,327
Cash and Cash Equivalents:	
With Fiscal Agents	175,414
Accrued Interest Receivable	6,790
Accounts Receivable	2,272
Intergovernmental Receivable	1,829
Income Taxes Receivable	534,322
Property Taxes Receivable	2,588,819
Inventory Held for Resale	16,453
Materials and Supplies Inventory	29,720
Prepaid Items	11,373
Unamortized Bond Issuance Costs	182,605
Nondepreciable Capital Assets	2,863,081
Depreciable Capital Assets, Net	11,532,290
<i>Total Assets</i>	<u>22,964,295</u>
Liabilities	
Accounts Payable	78,328
Contracts Payable	205,652
Accrued Wages and Benefits Payable	908,128
Retainage Payable	212,286
Intergovernmental Payable	262,227
Matured Compensated Absences Payable	16,622
Deferred Revenue	2,314,076
Accrued Interest Payable	76,763
Claims Payable	228,293
Long-Term Liabilities:	
Due Within One Year	603,725
Due In More Than One Year	5,756,579
<i>Total Liabilities</i>	<u>10,662,679</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	10,813,293
Restricted for:	
Capital Projects	275,256
Debt Service	396,895
Other Purposes	28,787
Set-asides	10,469
Unrestricted	776,916
<i>Total Net Assets</i>	<u>\$12,301,616</u>

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$5,629,967	\$1,277,996	\$423,757	(3,928,214)
Special	1,022,381	205,279	174,329	(642,773)
Vocational	88,730	20,821	0	(67,909)
Other	98,237	14,412	33,521	(50,304)
Support Services:				
Pupils	561,024	138,874	8,001	(414,149)
Instructional Staff	411,822	87,690	141,910	(182,222)
Board of Education	15,473	3,980	0	(11,493)
Administration	920,485	177,985	182,190	(560,310)
Fiscal	336,873	79,967	0	(256,906)
Business	345	0	0	(345)
Operation and Maintenance of Plant	1,298,278	257,783	0	(1,040,495)
Pupil Transportation	811,813	191,457	0	(620,356)
Central	18,786	4,633	0	(14,153)
Operation of Non-Instructional Services	285	572	0	287
Operation of Food Services	565,274	293,752	268,144	(3,378)
Extracurricular Activities	403,050	173,856	7,675	(221,519)
Interest and Fiscal Charges	268,721	0	0	(268,721)
<i>Total Governmental Activities</i>	<u>\$12,451,544</u>	<u>\$2,929,057</u>	<u>\$1,239,527</u>	<u>(8,282,960)</u>
General Revenues				
Property Taxes Levied for:				
				1,820,385
				260,133
				356,344
				35,054
				1,072,762
Income Taxes Levied for General Purposes				
Grants and Entitlements not Restricted				
				4,877,528
				41,671
				367,227
<i>Total General Revenues</i>				8,831,104
Extraordinary Item				
				69,262
<i>Change in Net Assets</i>				617,406
<i>Net Assets Beginning of Year</i>				11,684,210
<i>Net Assets End of Year</i>				<u>\$12,301,616</u>

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

Balance Sheet
Governmental Funds
June 30, 2011

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,305,459	\$569,036	\$2,379,315	\$605,877	\$4,859,687
Accrued Interest Receivable	6,289	0	0	501	6,790
Accounts Receivable	2,272	0	0	0	2,272
Interfund Receivable	84,024	0	0	0	84,024
Intergovernmental Receivable	1,645	0	0	184	1,829
Income Taxes Receivable	534,322	0	0	0	534,322
Property Taxes Receivable	1,906,977	272,152	0	409,690	2,588,819
Inventory Held for Resale	0	0	0	16,453	16,453
Materials and Supplies Inventory	27,995	0	0	1,725	29,720
Prepaid Items	11,373	0	0	0	11,373
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	10,469	0	0	0	10,469
Total Assets	\$3,890,825	\$841,188	\$2,379,315	\$1,034,430	\$8,145,758
Liabilities					
Accounts Payable	\$63,593	\$0	\$681	\$14,054	\$78,328
Accrued Wages	814,546	0	0	93,582	908,128
Contracts Payable	0	0	205,652	0	205,652
Intergovernmental Payable	228,116	0	0	34,111	262,227
Matured Compensated Absences Payable	16,622	0	0	0	16,622
Interfund Payable	0	0	0	84,024	84,024
Deferred Revenue	1,924,218	265,524	0	399,717	2,589,459
Retainage Payable	0	0	212,286	0	212,286
Total Liabilities	3,047,095	265,524	418,619	625,488	4,356,726
Fund Balances					
Nonspendable	39,368	0	0	18,178	57,546
Restricted	10,469	575,664	1,960,696	475,612	3,022,441
Committed	0	0	0	112,115	112,115
Assigned	20,869	0	0	0	20,869
Unassigned (Deficit)	773,024	0	0	(196,963)	576,061
Total Fund Balances	843,730	575,664	1,960,696	408,942	3,789,032
Total Liabilities and Fund Balances	\$3,890,825	\$841,188	\$2,379,315	\$1,034,430	\$8,145,758

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2011*

Total Governmental Fund Balances	\$3,789,032
 <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.	14,395,371
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	212,050
Income Taxes	63,333
Total	275,383
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	96,292
In the statement of activities, interest is accrued on outstanding general obligation bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.	(76,763)
In the statement of net assets, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	182,605
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(465,000)
Capital Appreciation Bonds	(279,997)
Accretion on Bonds	(199,961)
Qualified School Construction Bonds	(4,800,000)
Unamortized Discount	12,820
Capital Leases	(224,000)
Compensated Absences	(404,166)
Total	(6,360,304)
 <i>Net Assets of Governmental Activities</i>	 \$12,301,616

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,888,636	\$267,571	\$0	\$402,898	\$2,559,105
Income Taxes	1,076,029	0	0	0	1,076,029
Tuition and Fees	2,448,281	0	0	0	2,448,281
Interest	31,229	0	0	2,922	34,151
Charges for Services	0	0	0	274,394	274,394
Extracurricular Activities	57,670	0	0	126,829	184,499
Rentals	2,525	0	0	0	2,525
Contributions and Donations	1,854	0	0	10,246	12,100
Intergovernmental	4,670,114	41,605	0	1,393,236	6,104,955
Miscellaneous	127,691	0	0	239,536	367,227
<i>Total Revenues</i>	<u>10,304,029</u>	<u>309,176</u>	<u>0</u>	<u>2,450,061</u>	<u>13,063,266</u>
Expenditures					
Current:					
Instruction:					
Regular	5,062,649	0	0	460,830	5,523,479
Special	807,188	0	0	187,082	994,270
Vocational	97,038	0	0	0	97,038
Other	56,670	0	0	41,567	98,237
Support Services:					
Pupils	560,131	0	0	7,491	567,622
Instructional Staff	274,880	0	0	110,104	384,984
Board of Education	15,650	0	0	0	15,650
Administration	675,765	0	0	189,548	865,313
Fiscal	309,052	6,711	0	10,100	325,863
Operation and Maintenance of Plant	1,017,260	0	97,217	138,654	1,253,131
Pupil Transportation	754,078	0	0	0	754,078
Central	18,216	0	0	570	18,786
Operation of Non-Instructional Services	0	0	0	285	285
Operation of Food Services	0	0	0	537,095	537,095
Extracurricular Activities	257,100	0	0	107,548	364,648
Capital Outlay	0	0	2,539,048	50,309	2,589,357
Debt Service:					
Principal Retirement	0	240,000	0	104,000	344,000
Interest and Fiscal Charges	0	19,287	0	132,347	151,634
Bond Issuance Costs	0	0	189,719	0	189,719
<i>Total Expenditures</i>	<u>9,905,677</u>	<u>265,998</u>	<u>2,825,984</u>	<u>2,077,530</u>	<u>15,075,189</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>398,352</u>	<u>43,178</u>	<u>(2,825,984)</u>	<u>372,531</u>	<u>(2,011,923)</u>
Other Financing Sources (Uses)					
Proceeds of Bonds	0	0	4,800,000	0	4,800,000
Bond Issuance Discount	0	0	(13,320)	0	(13,320)
Transfers In	0	0	0	700	700
Transfers Out	(700)	0	0	0	(700)
<i>Total Other Financing Sources (Uses)</i>	<u>(700)</u>	<u>0</u>	<u>4,786,680</u>	<u>700</u>	<u>4,786,680</u>
Extraordinary Item					
Insurance Proceeds	69,262	0	0	0	69,262
<i>Net Change in Fund Balances</i>	466,914	43,178	1,960,696	373,231	2,844,019
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	376,816	532,486	0	35,711	945,013
<i>Fund Balances End of Year</i>	<u>\$843,730</u>	<u>\$575,664</u>	<u>\$1,960,696</u>	<u>\$408,942</u>	<u>\$3,789,032</u>

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana 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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$2,844,019

***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 are allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	2,589,357
Current Year Depreciation	<u>(495,502)</u>

Total	2,093,855
-------	-----------

The net effect of various transactions involving capital assets

(i.e.; disposals, sales and donations) is a reduction in net assets.

Assets Disposed	(57,898)
Accumulated Depreciation on Disposals	<u>43,433</u>

Total	(14,465)
-------	----------

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

Property Taxes	(87,189)
Income Taxes	<u>(3,267)</u>

Total	(90,456)
-------	----------

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

School Construction Bonds Issued	(4,800,000)
Bond Issuance Discount	13,320
Bond Issuance Costs	<u>189,719</u>

Total	(4,596,961)
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Repayment of long-term debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

344,000

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

Accrued Interest on Bonds	(74,856)
Accreted Interest on Bonds	(34,617)
Amortization of Discount	(500)
Amortization of Issuance Costs	<u>(7,114)</u>

Total	(117,087)
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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.

47,604

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

106,897

Change in Net Assets of Governmental Activities

\$617,406

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,810,911	\$1,869,035	\$1,869,035	\$0
Income Taxes	951,807	982,357	982,357	0
Tuition and Fees	2,366,739	2,442,703	2,447,536	4,833
Interest	21,617	22,311	27,444	5,133
Extracurricular Activities	56,605	58,422	58,670	248
Rentals	2,446	2,525	2,525	0
Contributions and Donations	1,797	1,854	1,854	0
Intergovernmental	4,332,287	4,471,339	4,469,139	(2,200)
Miscellaneous	19,427	126,230	126,822	592
<i>Total Revenues</i>	<u>9,563,636</u>	<u>9,976,776</u>	<u>9,985,382</u>	<u>8,606</u>
Expenditures				
Current:				
Instruction:				
Regular	5,449,419	5,398,848	5,161,660	237,188
Special	659,744	653,579	600,878	52,701
Vocational	133,538	132,291	104,350	27,941
Other	55,424	55,000	61,529	(6,529)
Support Services:				
Pupils	432,518	428,702	563,650	(134,948)
Instructional Staff	372,875	369,398	281,753	87,645
Board of Education	27,832	27,575	25,645	1,930
Administration	705,279	698,825	687,456	11,369
Fiscal	322,460	319,483	339,380	(19,897)
Operation and Maintenance of Plant	1,109,372	1,099,785	1,115,332	(15,547)
Pupil Transportation	754,143	747,227	763,486	(16,259)
Central	25,235	25,000	18,216	6,784
Extracurricular Activities	223,799	221,760	228,263	(6,503)
<i>Total Expenditures</i>	<u>10,271,638</u>	<u>10,177,473</u>	<u>9,951,598</u>	<u>225,875</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(708,002)</u>	<u>(200,697)</u>	<u>33,784</u>	<u>234,481</u>
Other Financing Sources (Uses)				
Insurance Proceeds	0	69,262	69,262	0
Advances In	11,000	11,000	11,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>11,000</u>	<u>80,262</u>	<u>80,262</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(697,002)	(120,435)	114,046	234,481
<i>Fund Balance Beginning of Year - Restated (See Note 3)</i>	872,519	872,519	872,519	0
Prior Year Encumbrances Appropriated	193,478	193,478	193,478	0
<i>Fund Balance End of Year</i>	<u>\$368,995</u>	<u>\$945,562</u>	<u>\$1,180,043</u>	<u>\$234,481</u>

See accompanying notes to the basic financial statements

Crestview Local School District

Columbiana County, Ohio

Statement of Fund Net Assets

Proprietary Fund

June 30, 2011

	<u>Internal Service</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$149,171
Cash and Cash Equivalents:	
With Fiscal Agents	<u>175,414</u>
<i>Total Assets</i>	324,585
Liabilities	
Claims Payable	<u>228,293</u>
Net Assets	
Unrestricted	<u><u>\$96,292</u></u>

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2011*

	<u>Internal Service</u>
Operating Revenues	
Charges for Services	<u>\$1,702,615</u>
Operating Expenses	
Purchased Services	438,596
Claims	1,164,642
<i>Total Operating Expenses</i>	<u>1,603,238</u>
<i>Operating Income</i>	99,377
Non-Operating Revenues	
Interest	<u>7,520</u>
<i>Change in Net Assets</i>	106,897
<i>Net Assets Beginning of Year</i>	<u>(10,605)</u>
<i>Net Assets End of Year</i>	<u><u>\$96,292</u></u>

See accompanying notes to the basic financial statements

Crestview Local School District

Columbiana County, Ohio

Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	<u>Internal Service</u>
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$1,702,615
Cash Payments for Goods and Services	(438,596)
Cash Payments for Claims	<u>(1,157,548)</u>
<i>Net Cash Provided by Operating Activities</i>	106,471
Cash Flows from Investing Activities	
Interest on Investments	<u>7,520</u>
<i>Net Increase in Cash and Cash Equivalents</i>	113,991
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>210,594</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$324,585</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$99,377
Adjustments:	
Increase in Claims Payable	<u>7,094</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$106,471</u></u>
See accompanying notes to the basic financial statements	

Crestview Local School District
Columbiana County, Ohio

Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$27,796</u>
Liabilities	
Undistributed Monies	<u>\$27,796</u>

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1 – Description of the School District and Reporting Entity

Crestview Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Crestview Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's three instructional/support facilities staffed by 41 non-certified and 86 certified full-time teaching personnel who provide services to approximately 1,231 students and other- community members.

The Reporting Entity

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

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

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Area Cooperative Computerized Educational Service System, Columbiana County Career Center, Ohio Mid-Eastern Regional Educational Services Agency, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Program. These organizations are presented in Notes 20 and 21 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Fund Financial Statements

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

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

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

Bond Retirement Debt Service Fund - The Bond Retirement Debt Service Fund receives property taxes restricted for the payment of general obligation debt issued by the District.

Building Capital Projects Fund - The Building Capital Projects Fund was established pursuant to Section 5705.09, Ohio Revised Code, and is used to account for restricted financial resources related to the Qualified School Construction bond issue of the District. Expenditures recorded in this fund represent the costs of acquiring and constructing capital facilities related to this project.

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

Proprietary Funds

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

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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 and the statements for the proprietary and fiduciary are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

E. Budgetary Data

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

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

F. Cash and Investments

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

During fiscal year 2011, investments were limited to STAR Ohio and Federal Home Loan Bank Bonds and repurchase agreements. Investments in nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2011. 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, 2011.

As authorized by Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$31,229, none of which was assigned from other District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

Crestview Local School District
Columbiana County, Ohio

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For the Fiscal Year Ended June 30, 2011

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for the acquisition of textbooks and materials. See Note 19 for additional information regarding set asides.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. The District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

K. Interfund Balances

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

L. Compensated Absences

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

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

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

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Notes to the Basic Financial Statements
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On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence or employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$711,407, none of which is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations

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Notes to the Basic Financial Statements
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to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Internal Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

Q. Bond Issuance Costs

Bond issuance costs for underwriting fees for the qualified school construction bonds are being amortized using the straight-line method over the life of the agreement on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method.

As permitted by State statute, the District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

R. Bond Issuance Discount

On the government-wide financial statements, bond discounts are deferred and amortized over the term of the bonds using the straight line method. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the bonds payable. On the fund financial statements, bond discounts are expensed in the year the bonds are issued.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

S. Operating Revenues and Expenses

Operating revenues are those that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

T. Estimates

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

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. During fiscal year 2011, the District received \$69,262 in insurance proceeds as a result of ice damage to various District assets. This amount was reported as an extraordinary item in the basic financial statements.

Note 3 – Change in Accounting Principle and Restatement of Fund Balance

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and GASB Statement No. 59 “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the District’s financial statements.

GASB Statement No. 59 improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice, by improving the consistency of measurements and by providing clarification of existing standards. The implementation of GASB Statement No. 59 did not have any affect on the District’s financial statements.

B. Restatement of Prior Year Fund Balance

	General	Bond Retirement	Building	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2010	\$339,381	\$532,486	\$0	\$73,146	\$945,013
Change in Fund Structure (GASB 54)	37,435	0	0	(37,435)	0
Adjusted Fund Balance at June 30, 2010	<u>\$376,816</u>	<u>\$532,486</u>	<u>\$0</u>	<u>\$35,711</u>	<u>\$945,013</u>

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4 – Accountability and Compliance

A. Accountability

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Food Service Fund	\$109,777
Education Jobs Fund	28,140
IDEA Part B Fund	8,815
Fiscal Stabilization Fund	14,665
Title I Fund	15,992
Improving Teacher Quality Fund	1,396

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

B. Compliance

The food service special revenue fund and the nutrition education and training program special revenue fund had negative cash balances of \$83,840 and \$184, respectively, at June 30, 2011, indicating that revenues from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10. Management has indicated that all cash balances will be closely monitored to ensure no future violations.

Note 5 – Budgetary Basis of Accounting

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

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

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For the Fiscal Year Ended June 30, 2011

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

Net Change in Fund Balance	
GAAP Basis	\$466,914
Net Adjustment for Revenue Accruals	(318,647)
Advances In	11,000
Net Adjustment for Expenditure Accruals	174,610
Adjustment for Encumbrances	<u>(219,831)</u>
Budget Basis	<u><u>\$114,046</u></u>

Note 6 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At year end, the District had \$427 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

At June 30, 2011, the District's internal service fund had a balance of \$175,414 with OME-RESA, a claims servicing pool (See Note 13). The balance is held by the claims administrator in a pooled account, which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,456,328 of the District's bank balance of \$2,419,819 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2011, the District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
STAROhio	\$2,455,208	Six Months or Less
Federal Home Loan Bank Bonds	300,000	More than Three Years
Total Investments	\$2,755,208	

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

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

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

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer. The following is the School District’s allocation as of June 30, 2011:

Investment	Percentage of Investment
STAR Ohio	89.11%
Federal Home Loan Bank Bonds	10.89%
Total	100.00%

Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Assets as of June 30, 2011:

<u>Cash and Investments per Note Disclosure</u>		<u>Cash and Investments per Statement of Net Assets</u>	
Carrying amount of deposits	\$2,291,488	Governmental Activities	\$5,194,741
Investments	2,755,208	Agency Funds	27,796
Cash with fiscal agent	175,414		
Cash on hand	427		
Total	\$5,222,537		\$5,222,537

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 7 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Building	Nonmajor Governmental	Total
<i>Nonspendable</i>					
Prepays	\$11,373	\$0	\$0	\$0	\$11,373
Inventory	27,995	0	0	18,178	46,173
<i>Total Nonspendable</i>	39,368	0	0	18,178	57,546
<i>Restricted for</i>					
Technology Improvements	0	0	0	525	525
Classroom Maintenance	0	0	0	27,378	27,378
Athletics & Music	0	0	0	92,517	92,517
Teacher Development	0	0	0	1,901	1,901
Student Achievement	0	0	0	2,600	2,600
Debt Service Payments	0	575,664	0	0	575,664
Capital Improvements	0	0	1,960,696	350,691	2,311,387
Set Asides	10,469	0	0	0	10,469
<i>Total Restricted</i>	10,469	575,664	1,960,696	475,612	3,022,441
<i>Committed to</i>					
College Scholarships	0	0	0	112,115	112,115
<i>Assigned to</i>					
Other Purposes	20,869	0	0	0	20,869
<i>Unassigned (Deficit)</i>					
	773,024	0	0	(196,963)	576,061
<i>Total Fund Balances</i>	\$843,730	\$575,664	\$1,960,696	\$408,942	\$3,789,032

Note 8 – Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes for 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. 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 School District prior to June 30.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2011 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2011 was \$46,092 in the general fund, \$6,628 in the bond retirement debt service fund, \$9,079 in the permanent improvement capital projects fund, and \$894 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2010 was \$26,491 in the general fund, \$3,868 in the bond retirement debt service fund, \$5,298 in the permanent improvement capital projects fund, and \$512 in the classroom facilities maintenance special revenue fund.

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The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$96,083,440	93.80 %	\$97,131,800	94.24 %
Public Utility Personal	6,350,460	6.20	5,941,400	5.76
Tangible Personal Property	0	0.00	0	0.00
Total	<u>\$102,433,900</u>	<u>100.00 %</u>	<u>\$103,073,200</u>	<u>100.00 %</u>
 Tax rate per \$1,000 of assessed valuation	 \$36.62		 \$36.12	

Note 9 – School District Income Tax

The voters of the District passed a 1 percent permanent school district income tax in the November 1989 election that became effective January 1, 1990. School district income tax revenue received by the General Fund during fiscal year 2011 was \$1,076,029 on a modified accrual basis.

Note 10 - Receivables

Receivables at June 30, 2011, consisted of property taxes, income taxes, accounts (rent and student fees), intergovernmental and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

Property Taxes Receivable	\$2,588,819
Income Taxes Receivable	534,322
Accounts Receivable	2,272
Accrued Interest Receivable	6,790
Intergovernmental Receivable	<u>1,829</u>
Total	<u><u>\$3,134,032</u></u>

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Notes to the Basic Financial Statements
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Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$250,000	\$0	\$0	\$250,000
Construction in Progress	301,355	2,504,410	(192,684)	2,613,081
Total Capital Assets, not being depreciated:	551,355	2,504,410	(192,684)	2,863,081
Capital Assets, being depreciated:				
Land Improvements	168,920	0	0	168,920
Buildings and Building Improvements	16,976,896	192,684	0	17,169,580
Furniture, Fixtures and Equipment	741,696	0	(23,300)	718,396
Vehicles	926,009	84,947	(34,598)	976,358
Total Capital Assets, being depreciated:	18,813,521	277,631	(57,898)	19,033,254
Less Accumulated Depreciation:				
Land Improvements	(14,748)	(4,223)	0	(18,971)
Buildings and Building Improvements	(6,001,314)	(407,733)	0	(6,409,047)
Furniture, Fixtures and Equipment	(366,303)	(32,050)	8,835	(389,518)
Vehicles	(666,530)	(51,496)	34,598	(683,428)
Total Accumulated Depreciation	(7,048,895)	(495,502)	43,433	(7,500,964)
Total Capital Assets being depreciated, net	11,764,626	(217,871)	(14,465)	11,532,290
Governmental Activities Capital Assets, Net	\$12,315,981	\$2,286,539	(\$207,149)	\$14,395,371

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$198,796
Special	36,692
Vocational	7,950
Support Services:	
Pupil	10,269
Instructional Staff	30,020
Administration	40,161
Fiscal	7,601
Business	345
Operation and Maintenance of Plant	40,902
Pupil Transportation	63,492
Operation of Food Services	17,579
Extracurricular Activities	41,695
Total Depreciation Expense	\$495,502

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*Notes to the Basic Financial Statements
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Note 12 – Interfund Activity

A. Interfund Transfers

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 authorization. Transfers are also used to close out the funds that are no longer required. During fiscal year 2011, the general fund transferred \$700 to the entry year programs special revenue fund to close out the fund.

B. Interfund Receivable/Payable

At June 30, 2011, interfund receivables/payables consisted of two GAAP basis advances made from the general fund to the food service fund and the nutrition education and training program special revenue fund to cover negative cash balances of \$83,840 and \$184, respectively. The only other advance made during the fiscal year was an \$11,000 advance made from the permanent improvement capital projects fund to the general fund to repay an outstanding advance from the previous fiscal year.

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.

Note 13 – Risk Management

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District has contracted with the following insurance companies to provide coverage in the following amounts:

Type of Coverage	Coverage	Deductible
Ohio Casualty		
General Liability:		
Each Occurrence	\$1,000,000	\$0
Aggregate	2,000,000	0
Umbrella Liability:		
Each Occurrence	1,000,000	0
Aggregate	3,000,000	0
Ohio Casualty		
Fleet:		
Comprehensive	2,000,000	500
Collision	2,000,000	500
Ohio Casualty		
Building and Contents	20,028,754	5,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2011.

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B. Health and Dental Insurance

The District belongs to the Ohio Mid Eastern Regional Educational Service Agency (OMERESA) to self insure its medical claims. OMERESA currently includes 50 member school districts. Contributions are determined by the consortium's board of directors and are remitted monthly to the consortium's fiscal agent, Jefferson County Educational Service Center, who then pays all incurred claims. Thus actual cash "reserves" are held by the fiscal agent. Settlements have never exceeded insurance coverage.

Professional Risk Management (PRM), a Meritain company and third party administrator, services all health/medical claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$35,000 per employee consortium wide.

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$228,293, reported in the fund at year end was estimated by the third party administrator and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

Claims in the fund's claims liability during fiscal years 2010 and 2011 were:

Fiscal Year	Beginning Balance	Claims Incurred	Claims Payments	Ending Balance
2010	\$280,099	1,441,196	1,500,096	\$221,199
2011	221,199	1,164,642	1,157,548	228,293

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

C. OASBO Group Rating Program

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool, which was established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School business Officials Workers' Compensation Group Rating Program (the Program) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

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

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

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

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Notes to the Basic Financial Statements
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Note 14 – Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$140,433, \$145,204, and \$106,735, respectively; 29.4 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the State or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an

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Notes to the Basic Financial Statements
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actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by three percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10 percent of covered payroll for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009, were \$601,216, \$611,054, and \$588,718, respectively; 83.3 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were not available at the time this report was issued.

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STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* will be available sometime after December 31, 2010.

Additional information or copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, four board members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 15 – Postemployment Benefits

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan for School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76 percent. The District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$9,037, \$8,635, and \$8,806, respectively, which equaled the required contributions each year.

Health Care Plan – ORC Sections 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is allocated for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2011, 2010 and 2009 were \$34,929, \$38,048, and

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\$72,331, respectively; 29.4 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal year ended June 30, 2011, 2010 and 2009 were \$46,247, \$47,004, and \$45,286, respectively; 83.3 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 16 – Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated up to a maximum of 15 days per year for all personnel. The total lifetime maximum sick leave accumulation for personnel is 235 days for certified employees, and 235 days for classified employees. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 47 days for certified employees, and 48 days for classified employees.

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For the Fiscal Year Ended June 30, 2011

Note 17 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Principal Outstanding 6/30/10	Additions	Deductions	Principal Outstanding 6/30/11	Amounts due in One Year
General Obligation Bonds:					
<i>2010 Qualified School Construction Bonds</i>					
2010 Series A Bonds - 4.15% - 4.35%	\$0	\$800,000	\$0	\$800,000	\$0
2010 Series B Bonds - 5.67%	0	4,000,000	0	4,000,000	235,000
Unamortized Issuance Discount	0	(13,320)	500	(12,820)	0
Total Qualified School Construction Bonds	0	4,786,680	500	4,787,180	235,000
<i>2003 School Facilities Refunding Bonds</i>					
Current Interest Serial Bonds - 3.43%	705,000	0	(240,000)	465,000	235,000
Capital Appreciation Bonds - 7.73%	279,997	0	0	279,997	0
Accretion on Capital Appreciation Bonds	165,344	34,617	0	199,961	0
Total School Facilities Refunding Bonds	1,150,341	34,617	(240,000)	944,958	235,000
Other Long-Term Obligations:					
Capital Lease Obligation	328,000	0	(104,000)	224,000	109,000
Compensated Absences	451,770	28,422	(76,026)	404,166	24,725
<i>Total Governmental Long-Term Obligations</i>	\$1,930,111	\$4,849,719	(\$419,526)	\$6,360,304	\$603,725

Qualified School Construction Bonds: On September 29, 2010, the District issued Qualified School Construction Bonds of \$4,800,000 (par value) with interest rates ranging from 4.15% to 5.67% for the performing arts center project. The Series A bonds mature 9/15/2030 and the Series B bonds mature 9/15/2027. The bonds were issued at a discount of \$13,320 and, after paying issuance costs of \$189,719, the net proceeds were \$4,596,961.

Pursuant to Section 133.06 of the Ohio Revised Code, the obligations of these lease-purchase agreements will not be construed as net indebtedness of the District.

Refunding bonds, series 2003: On November 15, 2003, the District issued general obligation bonds in order to advance refund the entire outstanding balance of the current interest construction bonds, series 1993. Proceeds of the issuance were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$2,200,000, and capital appreciation bonds, par value \$279,997. The interest rates on the current interest bonds range from 1.50 percent to 3.50 percent. The capital appreciation bonds mature on December 1, 2015 at a redemption price equal to 100 percent of the principal plus accreted interest to the redemption date. The present value (as of the issue date) reported on the statement of net assets at June 30, 2011 is \$279,997. Total accreted interest of \$199,961 has been included on the statement of net assets.

Neither the current interest bonds nor the capital appreciation bonds are subject to early redemption.

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Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity of the current interest bonds is December 1, 2012. The bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. The source of payment is derived from the current 5.92 mill bonded debt tax levy.

Compensated absences will be paid from the general fund and the food service, Education Stabilization and Title I special revenue funds.

The School District's overall legal debt margin was \$9,107,255 with an unvoted debt margin of \$103,073 at June 30, 2011.

Principal requirements to retire general obligation debt outstanding at June 30, 2011, are as follows:

Fiscal Year Ended	Current Interest Bonds, Series 2003			Capital Appreciation Bonds, Series 2003		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$235,000	\$11,869	\$246,869	\$0	\$0	\$0
2013	230,000	4,025	234,025	0	0	0
2014	0	0	0	105,021	119,979	225,000
2015	0	0	0	90,823	119,177	210,000
2016	0	0	0	84,153	125,847	210,000
Total	\$465,000	\$15,894	\$480,894	\$279,997	\$365,003	\$645,000

Fiscal Year Ended	Q.S.C.B.'s, Series 2010 A			Q.S.C.B.'s, Series 2010 B		
	Principal	Interest	Total	Principal	***Interest	Total
2012	\$0	\$34,025	\$34,025	\$235,000	\$224,680	\$459,680
2013	0	34,025	34,025	235,000	224,680	459,680
2014	0	34,025	34,025	235,000	224,680	459,680
2015	0	34,025	34,025	235,000	224,680	459,680
2016	0	34,025	34,025	235,000	224,680	459,680
2017 - 2021	0	170,125	170,125	1,175,000	1,123,400	2,298,400
2022 - 2026	0	170,125	170,125	1,175,000	1,123,400	2,298,400
2027 - 2031	800,000	120,685	920,685	475,000	337,020	812,020
Total	\$800,000	\$631,060	\$1,431,060	\$4,000,000	\$3,707,220	\$7,707,220

***Interest payments made on the 2010 Series B Qualified School Construction Bonds are being offset by tax credits received from the Federal government in the approximate amount of \$2,883,543 through 2030. These tax credits will reduce the net amount of interest paid by the District over the life of the bonds to \$1,139,978.

Note 18 - Capitalized Leases

In a prior fiscal year, the District entered into a capitalized lease for the construction of a football stadium and track. This lease obligation meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and has been recorded on the government-wide statements. The football stadium and track have been capitalized in the amount of \$956,000, the present value of the minimum lease payments at the inception of the lease.

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The assets acquired through capital leases are as follows:

<i>Assets:</i>	<u>Governmental Activities</u>
Football Stadium and Track	\$956,000
Less: Accumulated Depreciation	<u>(573,600)</u>
Total Book Value as of June 30, 2011	<u><u>\$382,400</u></u>

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

<u>Fiscal Year Ending June 30,</u>	
2012	\$117,017
2013	<u>117,720</u>
Total Minimum Lease Payments	234,737
Less: Amount Representing Interest	<u>(10,737)</u>
Present Value of Minimum Lease	<u><u>\$224,000</u></u>

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the permanent improvement capital projects fund. These expenditures are reflected as program expenditures on a budgetary basis.

Note 19 - Set-Aside Calculations and Fund Reserves

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

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

	Textbooks	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2010	\$58,564	\$0
Current Year Set-Aside Requirement	185,605	185,605
Qualifying Disbursements	(233,700)	0
Current year offsets	<u>0</u>	<u>(474,350)</u>
Total	<u><u>\$10,469</u></u>	<u><u>(\$288,745)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$10,469</u></u>	<u><u>\$0</u></u>
Cash balance as of June 30, 2011	<u><u>\$10,469</u></u>	<u><u>\$0</u></u>

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For the Fiscal Year Ended June 30, 2011

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

Note 20 – Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System

The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The School District paid \$30,041 to ACCESS during fiscal year 2011. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 222, Boardman, Ohio, 44512.

B. Columbiana County Career Center

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

Note 21 – Group Purchasing Pools

A. Ohio Mid-Eastern Regional Educational Services Agency

The District is a participant with several other school districts in an insurance purchasing pool to operate the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA). OME-RESA was formed for the purpose of providing insurance. OME-RESA is governed by a board of directors consisting of the

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board.

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

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

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

Note 22 – Contractual Commitments

As of June 30, 2011, the District had contractual commitments for the following projects:

	<u>Contractual Commitments</u>	<u>Amount Expended</u>	<u>Balance 6/30/2011</u>
Mike Pusateri Excavating, Inc.	\$107,698	\$100,197	\$7,501
York Mahoning, Inc.	485,624	228,965	256,659
Graft Electric	624,149	328,985	295,164
Fire F.O.E. Corporation	188,970	122,841	66,129
Ellyson Plumbing & Heating	91,040	48,355	42,685
Global Furnishings	126,929	0	126,929
C. Tucker Cope - Metal Building	603,455	515,568	87,887
C. Tucker Cope - Phase 3 Contract	2,060,776	537,384	1,523,392
Strollo Architects	337,208	310,849	26,359
Totals	<u>\$4,625,849</u>	<u>\$2,193,144</u>	<u>\$2,432,705</u>

Note 23 - Contingencies

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

The District is currently involved in a case of alleged discrimination against a student with disabilities with the Office for Civil Rights. The District does not believe this case will affect the overall financial position of the District.

Crestview Local School District
Columbiana County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 24 – New Accounting Standards

In November of 2010, the GASB issued Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements.” The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, a type of public-private or public-public partnership. Statement No. 60 will not be effective for the District until fiscal year 2013 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In November of 2010, the GASB also issued Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity by modifying the requirements for including component units and also amending the criteria for reporting component units. Statement No. 61 will not be effective for the District until fiscal year 2013 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
<i>Nutrition Cluster:</i>					
<i>Non-Cash Assistance (Food Distribution):</i>					
National School Lunch Program	10.555		\$30,092		\$30,092
<i>Cash Assistance:</i>					
School Breakfast Program	10.553	\$45,270		\$45,270	
National School Lunch Program	10.555	197,961		197,961	
Team Nutrition Grant	10.574			184	
Total U.S. Department of Agriculture - Nutrition Cluster		<u>243,231</u>	<u>30,092</u>	<u>243,415</u>	<u>30,092</u>
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
<i>Title 1 Cluster:</i>					
Title I Grants to Local Educational Agencies (Title 1, Part A of the ESEA)	84.010	174,940		171,101	
ARRA - Title 1 Grants to Local Educational Agencies	84.389	<u>53,365</u>		<u>52,712</u>	
<i>Subtotal - Title 1 Cluster</i>		228,305		223,813	
ARRA - Special Education_Grants to States(IDEA, Part B)	84.391	135,927		156,583	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	347,447		338,484	
Education Jobs Fund	84.410	158,642		155,787	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants	84.395	2,600			
Educational Technology State Grants (Title III-D)	84.318	583		583	
Improving Teacher Quality State Grants (Title II-A)	84.367	<u>67,036</u>		<u>67,036</u>	
Total U.S. Department of Education		<u>940,540</u>		<u>942,286</u>	
Totals		<u><u>\$1,183,771</u></u>	<u><u>\$30,092</u></u>	<u><u>\$1,185,701</u></u>	<u><u>\$30,092</u></u>

The accompanying notes are an integral part of this schedule.

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipt and Expenditure Schedule (the "Schedule") reports the Crestview Local School District's (the "District's") federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Crestview Local School District, Columbiana County, (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 30, 2011.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 30, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Crestview Local School District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Crestview Local School District's major federal program for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Crestview Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of 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 over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

August 30, 2011

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	State Fiscal Stabilization Fund – CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on December 8, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 30, 2011

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Dave Yost • Auditor of State

CRESTVIEW LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 13, 2011**