



**Auditor of State
Betty Montgomery**

**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

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 the Crestwood Local School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2004, 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestwood Local School District, Portage County, Ohio, as of June 30, 2004, and the respective changes in financial position, thereof and the 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 23, 2005, 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 *Governmental Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 23, 2005

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

This discussion and analysis of Crestwood Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the accompanying notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- Net assets of governmental activities decreased \$378,750, representing a 2 percent decrease from 2003.
- General revenues accounted for \$20,201,312 in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$2,949,318 or 13 percent of total revenues of \$23,150,630.
- Total assets of governmental activities increased by \$292,043. The School District experienced such a nominal change due to extensive construction activity and a corresponding decrease in cash and investment balances used to finance the construction.
- The School District had \$23,529,380 in expenses related to governmental activities; only \$2,949,318 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$20,201,312 were adequate to provide for these programs.
- Capital outlay additions of \$12,931,239 consisted primarily of \$12,710,461 in construction in progress for new classroom facilities and buildings. The construction project is financed from proceeds received from the fiscal year 2000 bond issue and state matching contributions. The bonds will be repaid from a real estate tax levy, which was approved by the voters in November 2000.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The statement of net assets and the statement of activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the School Districts' activities are considered to be all Governmental Activities:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Assets		
<i>Current and other assets</i>	\$ 14,637,958	\$ 26,819,866
<i>Capital assets, net of depreciation</i>	<u>24,182,273</u>	<u>11,708,322</u>
<i>Total assets</i>	<u>38,820,231</u>	<u>38,528,188</u>
Liabilities		
<i>Current and other liabilities</i>	9,666,335	8,791,792
<i>Long-term liabilities</i>	<u>9,115,909</u>	<u>9,251,247</u>
<i>Total liabilities</i>	<u>18,782,244</u>	<u>18,043,039</u>
Net Assets		
<i>Invested in capital assets, net of debt</i>	15,980,192	11,897,873
<i>Restricted</i>	4,328,444	8,004,691
<i>Unrestricted</i>	<u>(270,649)</u>	<u>582,585</u>
<i>Total net assets</i>	<u>\$ 20,037,987</u>	<u>\$ 20,485,149</u>

Although total net assets decreased only \$378,750, it should be noted that current and other assets decreased by \$12,181,908 and capital assets, net of depreciation increased \$12,473,951. During 2004, expenses related to classroom facilities construction projects helped to offset the net decrease in the amount of current and other assets on hand. These expenses of \$12,710,461 have been recognized as construction in progress, which is the primary cause for the increase in capital assets, net of depreciation.

Table 2 reflects the changes in net assets for fiscal year 2004 compared to 2003:

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Revenues		
<i>Program revenues</i>		
<i>Charges for services</i>	\$ 1,696,034	\$ 1,161,061
<i>Operating grants, contributions and interest</i>	1,229,013	1,085,815
<i>Capital grants and contributions</i>	24,271	231,999
<i>General revenues</i>		
<i>Property taxes</i>	6,920,384	6,966,748
<i>Grants and entitlements</i>	12,982,978	21,491,965
<i>Investment earnings</i>	113,681	27,786
<i>Miscellaneous</i>	<u>184,269</u>	<u>91,131</u>
<i>Total revenues</i>	<u>23,150,630</u>	<u>31,056,505</u>

(Continued)

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 (Continued)
Changes in Net Assets

	<i>Governmental Activities</i>	
	<i>2004</i>	<i>2003</i>
<i>Program Expenses</i>		
<i>Instruction</i>		
<i>Regular</i>	\$ 9,064,536	\$ 8,313,699
<i>Special</i>	2,397,188	2,223,254
<i>Vocational</i>	313,830	319,678
<i>Other</i>	678,861	565,896
<i>Support services</i>		
<i>Pupils</i>	1,041,228	962,944
<i>Instructional staff</i>	1,335,703	1,303,614
<i>Board of education</i>	4,208	6,424
<i>Administration</i>	2,199,242	2,056,663
<i>Fiscal</i>	446,752	453,752
<i>Business</i>	21,959	6,439
<i>Operation and maintenance of plant</i>	2,414,016	1,682,975
<i>Pupil transportation</i>	1,700,832	1,672,865
<i>Central</i>	70,005	40,069
<i>Operation of non-instructional services</i>		
<i>Food service operations</i>	728,768	712,751
<i>Community services</i>	119,793	121,804
<i>Extracurricular activities</i>	564,199	468,584
<i>Interest and fiscal charges</i>	428,260	386,818
<i>Loss on disposal of capital assets</i>	-	12,423
<i>Total expenses</i>	23,529,380	21,310,652
<i>Excess (deficit) before special and extraordinary items</i>	(378,750)	9,745,853
<i>Special item - write off of receivables</i>	-	(136,943)
<i>Extraordinary item - refund of real estate appraisal fees</i>	-	107,024
<i>Increase (decrease) in net assets</i>	\$ (378,750)	\$ 9,715,934

Governmental Activities

During 2003, monies were received from the State for the construction of classroom facilities. No such funding was provided during 2004, resulting in a significant decrease in revenue. Those funds have been expended as the construction projects progress.

Instructional expenses of the School District include salaries and benefits for instructional staff as well as textbooks and instructional supplies and materials. These expenses totaled \$12,454,415, or 53% of the total program expenses of the School District. These expenses increased \$1,031,888 over the prior year due primarily to increases in salaries and benefits.

Crestwood Local School District
Management's Discussion and Analysis
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Unaudited

Support services expenses for the pupils and instruction staff programs totaled \$2,376,931 in the current year, or 10% of the total program expenses of the School District. These expenses include library, guidance, speech and hearing, and psychological services. The increase in expenses over prior year in the amount of \$110,370 is attributed mainly to increases in salaries and benefits.

Administration expenses of the School District include services of the Superintendent, Treasurer and Principals' offices as well as public relations activities. Current year administrative expenses were \$2,199,242, which represents over 9% of the total program expenses. Expenses of this School District program increased \$142,579 over the prior year due to increases in legal fees, county auditor and treasurer's fees as well as increases in salaries and benefits.

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

Table 3
Governmental Activities

	<i>Total Cost of Services <u>2004</u></i>	<i>Total Cost of Services <u>2003</u></i>	<i>Net Cost of Services <u>2004</u></i>	<i>Net Cost of Services <u>2003</u></i>
<i>Program Expenses</i>				
<i>Instruction</i>				
<i>Regular</i>	\$ 9,064,536	\$ 8,313,699	\$ (7,836,961)	\$ (8,089,186)
<i>Special</i>	2,397,188	2,223,254	(2,002,866)	(1,439,902)
<i>Vocational</i>	313,830	319,678	(313,355)	(319,436)
<i>Other</i>	678,861	565,896	(678,861)	(565,896)
<i>Support services</i>				
<i>Pupils</i>	1,041,228	962,944	(917,776)	(861,400)
<i>Instructional staff</i>	1,335,703	1,303,614	(1,207,114)	(1,170,207)
<i>Board of education</i>	4,208	6,424	(4,208)	(6,424)
<i>Administration</i>	2,199,242	2,056,663	(2,193,517)	(2,043,242)
<i>Fiscal</i>	446,752	453,752	(433,566)	(453,752)
<i>Business</i>	21,959	6,439	(21,959)	(6,439)
<i>Operation and maintenance of plant</i>	2,414,016	1,682,975	(2,414,016)	(1,444,637)
<i>Pupil transportation</i>	1,700,832	1,672,865	(1,674,171)	(1,621,885)
<i>Central</i>	70,005	40,069	(58,092)	(26,540)
<i>Operation non-instructional services</i>				
<i>Food service operations</i>	728,768	712,751	(22,004)	(36,453)
<i>Community services</i>	119,793	121,804	5,751	3,590
<i>Extracurricular activities</i>	564,199	468,584	(379,087)	(350,727)
<i>Interest and fiscal charges</i>	428,260	386,818	(428,260)	(386,818)
<i>Loss on disposal of capital assets</i>	-	12,423	-	(12,423)
<i>Total expenses</i>	<u>\$ 23,529,380</u>	<u>\$ 21,310,652</u>	<u>\$ (20,580,062)</u>	<u>\$ (18,831,777)</u>

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Crestwood Local School District depends on both property taxes and State funding which fund approximately 85% of the program expenses of the School District. The voters of the School District passed 2 five-year renewal-operating levies (an 8.75-mill levy in May 2002 and a 4.9-mill levy in November 2001). The annual revenue from these levies approximates \$1,890,000.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$22,674,735, and total expenditures were \$36,177,358. The most significant change in fund balance for the year was in the Classroom Facilities capital projects fund, which decreased \$12,267,100. This decrease was attributed to State funds received during the prior year to help finance the costs of the classroom facility project as noted earlier. Although the School District did not receive such funding in 2004, it continues to be financially stable.

General Fund Budgeting Highlights

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

During fiscal year 2004, the School District amended its appropriation budget several times, however none were significant. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue estimate was \$18,993,526, which was lower than the original budget estimate of \$19,585,260. This difference of \$591,734 was due to changes in state and federal grants as well as state foundation funding, the exact amounts of which are often unknown during the original budgeting process.

The general fund's original expenditures and other financing uses estimate of \$22,090,104 was decreased slightly over the fiscal year. However, no significant expenditure budget revisions were posted to any specific account during the year. Actual expenditures and other financing uses total \$20,626,370, or \$891,020 lower than the final amount budgeted. The final budgeted amount represents an amount equal to the amount of available resources that may be expended.

Crestwood Local School District
Management's Discussion and Analysis
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Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$24,182,273 invested in land and improvements, buildings, furniture and equipment, vehicles and construction in progress. Table 4 shows fiscal year 2004 balances compared to fiscal year 2003:

Table 4
Capital Assets at June 30, 2004
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
<i>Land and improvements</i>	\$ 1,786,486	\$ 1,780,506
<i>Buildings</i>	2,234,761	2,354,745
<i>Furniture and equipment</i>	876,347	974,567
<i>Vehicles</i>	1,161,100	1,185,386
<i>Construction in progress</i>	<u>18,123,579</u>	<u>5,413,118</u>
<i>Total capital assets</i>	<u>\$ 24,182,273</u>	<u>\$ 11,708,322</u>

The primary increase occurred in construction in progress as expenses are incurred with the building of two new elementary schools in the School District. The School District's capital budget calls for it to spend another \$3,505,073 in construction costs in fiscal year 2005. Total projects costs are budgeted at \$19,302,707. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Debt

At June 30, 2004 the School District had \$8,071,547 in bonds outstanding with \$290,000 due within one year. Table 5 summarizes the bonds and notes outstanding as of the end of the fiscal year as compared to 2003:

Table 5
Outstanding Debt, at Fiscal Year End

	<i>Governmental</i>	<i>Governmental</i>
	<i>Activities</i>	<i>Activities</i>
	<u>2004</u>	<u>2003</u>
<i>2001 School Improvement Bonds</i>	\$ 7,874,164	\$ 8,110,896
<i>2001 Site Acquisition Bonds</i>	197,383	201,516
<i>EPA Asbestos Removal Loan</i>	62,112	69,013
<i>Capital Leases</i>	<u>68,422</u>	<u>97,309</u>
<i>Total outstanding debt</i>	<u>\$ 8,202,081</u>	<u>\$ 8,478,734</u>

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

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

At June 30, 2004, the School District's overall legal debt margin was \$17,444,641 with an unvoted debt margin of \$278,763. Moody's Investors Service last rated the School District in April 2003 with a rating of Aaa. The rating was obtained as a result of the purchase of an insurance policy provided by Financial Guaranty Insurance Company. See Note 15 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

During the 2003 fiscal year, the classified employees and the School District settled a wage "re-opener" of their contract for an increase of \$.35 per hour. Another wage "re-opener" will be addressed for 2005. The teachers' agreement would have expired in fiscal 2003; however, the School District and the teachers negotiated the entire agreement for fiscal year 2004 through 2006 with a wage "re-opener" in fiscal years 2005 and 2006.

The School District had outstanding contractual commitments in the amount of \$3,505,073 to the contractors building the two new elementary school buildings. This obligation is fully funded by bond proceeds and additional state contributions. See Note 20 to the basic financial statements for detail on all of the School District's contractual commitments.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

The legislature passed a new bill for fiscal year 2005, which was signed by the Governor. This legislation, H.B. 95, reduced previously legislated increases in Basic Aid and Parity Aid. It also includes phasing-out Tangible Personal Property Taxes and the "\$10,000 exemption" payments to local governments, including schools.

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

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

Contacting the School District's Financial Management

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

Crestwood Local School District

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 5,560,456
Cash and cash equivalents:	
In segregated accounts	297,582
Investments in segregated accounts	24,700
Receivables:	
Taxes	7,347,202
Accounts	143,867
Due from agency fund	3,725
Intergovernmental	1,137,378
Prepaid items	88,380
Inventory held for resale	32,045
Materials and supplies inventory	2,623
Capital assets:	
Land and construction in progress	19,910,065
Depreciable capital assets, net	4,272,208
Total capital assets	<u>24,182,273</u>
Total assets	<u>38,820,231</u>
 <u>Liabilities:</u>	
Accounts payable	509,558
Accrued wages	1,627,752
Compensated absences payable	135,972
Intergovernmental payable	618,454
Deferred revenue	6,744,465
Accrued interest payable	30,134
Long-term liabilities:	
Due within one year	375,583
Due in more than one year	8,740,326
Total liabilities	<u>18,782,244</u>
 <u>Net assets:</u>	
Invested in capital assets, net of related debt	15,980,192
Restricted for:	
Capital projects	3,258,835
Debt service	482,848
Permanent fund purpose - scholarships	
Expendable	4,507
Nonexpendable	24,700
Other purposes	557,554
Unrestricted	<u>(270,649)</u>
Total net assets	<u>\$ 20,037,987</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 9,064,536	\$ 1,065,021	\$ 162,554	\$ -	\$ (7,836,961)
Special	2,397,188	14,960	379,362	-	(2,002,866)
Vocational	313,830	-	475	-	(313,355)
Other	678,861	-	-	-	(678,861)
Support services:					
Pupils	1,041,228	-	123,452	-	(917,776)
Instructional staff	1,335,703	1,461	127,128	-	(1,207,114)
Board of education	4,208	-	-	-	(4,208)
Administration	2,199,242	-	5,725	-	(2,193,517)
Fiscal	446,752	-	13,186	-	(433,566)
Business	21,959	-	-	-	(21,959)
Operation and maintenance of plant	2,414,016	-	-	-	(2,414,016)
Pupil transportation	1,700,832	-	2,390	24,271	(1,674,171)
Central	70,005	-	11,913	-	(58,092)
Food service operations	728,768	441,711	265,053	-	(22,004)
Community services	119,793	-	125,544	-	5,751
Extracurricular activities	564,199	172,881	12,231	-	(379,087)
Interest and fiscal charges	428,260	-	-	-	(428,260)
Total governmental activities	\$ 23,529,380	\$ 1,696,034	\$ 1,229,013	\$ 24,271	(20,580,062)

General Revenues:

Property taxes levied for:

General purposes	5,923,893
Debt service	597,399
Capital outlay	399,092
Grants and entitlements not restricted to specific programs	12,982,978
Investment earnings	113,681
Miscellaneous	184,269
Total general revenues	20,201,312

Change in net assets (378,750)

Net assets beginning of year 20,416,737

Net assets end of year \$ 20,037,987

See accompanying notes to the basic financial statements.

Crestwood Local School District

Balance Sheet

Governmental Funds

June 30, 2004

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 1,149,792	\$ 2,934,791	\$ 1,475,873	\$ 5,560,456
Cash and cash equivalents:				
In segregated accounts	-	297,582	-	297,582
Investments in segregated accounts	-	-	24,700	24,700
Receivables:				
Taxes	6,205,003	-	1,142,199	7,347,202
Accounts	52,003	91,864	-	143,867
Intergovernmental	977,614	-	159,764	1,137,378
Interfund Receivable	131,720	-	-	131,720
Inventory held for resale	-	-	32,045	32,045
Materials and supplies inventory	-	-	2,623	2,623
Prepaid items	88,380	-	-	88,380
Total assets	8,604,512	3,324,237	2,837,204	14,765,953
<u>Liabilities:</u>				
Accounts payable	\$ 42,636	\$ 456,864	\$ 10,058	\$ 509,558
Accrued wages	1,527,852	-	99,900	1,627,752
Interfund payable	-	-	127,995	127,995
Intergovernmental payable	390,412	-	21,455	411,867
Compensated absences payable	135,972	-	-	135,972
Deferred revenue	7,022,606	91,864	1,158,255	8,272,725
Total liabilities	9,119,478	548,728	1,417,663	11,085,869
<u>Fund balances:</u>				
Reserved:				
Reserved for encumbrances	247,177	3,049,913	191,111	3,488,201
Reserved for property taxes	211,371	-	43,329	254,700
Reserved for endowments	-	-	24,700	24,700
Unreserved, undesignated, reported in:				
General fund	(973,514)	-	-	(973,514)
Special revenue funds	-	-	507,877	507,877
Debt service fund	-	-	465,045	465,045
Capital projects fund	-	(274,404)	182,972	(91,432)
Permanent fund	-	-	4,507	4,507
Total fund balances	(514,966)	2,775,509	1,419,541	3,680,084
Total liabilities and fund balances	\$ 8,604,512	\$ 3,324,237	\$ 2,837,204	\$ 14,765,953

See accompanying notes to the basic financial statements.

Crestwood Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2004

Total governmental funds balances		\$ 3,680,084
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		24,182,273
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 348,037	
Intergovernmental	1,180,223	
Total		1,528,260
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and are therefore not reported in the funds.		(206,587)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (8,071,547)	
Asbestos removal loan	(62,112)	
Compensated absences	(913,828)	
Capital leases	(68,422)	
Accrued interest payable	(30,134)	
Total	<u>(9,146,043)</u>	<u>(9,146,043)</u>
Net assets of governmental activities		<u>\$ 20,037,987</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Taxes	\$ 5,702,313	\$ -	\$ 1,093,645	\$ 6,795,958
Intergovernmental	12,421,553	398,402	1,322,207	14,142,162
Interest	44,926	68,755	685	114,366
Tuition and fees	828,596	-	68,619	897,215
Extracurricular activities	-	-	106,539	106,539
Gifts and donations	2,293	-	72,054	74,347
Charges for services	-	-	437,775	437,775
Rent	3,349	-	-	3,349
Miscellaneous	32,953	2,300	67,771	103,024
Total revenues	<u>19,035,983</u>	<u>469,457</u>	<u>3,169,295</u>	<u>22,674,735</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,632,528	-	254,190	8,886,718
Special	1,988,152	-	396,838	2,384,990
Vocational	310,749	-	475	311,224
Other	678,861	-	-	678,861
Support services:				
Pupils	911,088	3,949	115,024	1,030,061
Instructional staff	1,168,108	-	127,996	1,296,104
Board of education	6,954	-	-	6,954
Administration	2,122,101	-	25,743	2,147,844
Fiscal	421,399	-	20,515	441,914
Business	21,959	-	-	21,959
Operation and maintenance of plant	1,816,423	36,724	524,693	2,377,840
Pupil transportation	1,500,142	-	2,791	1,502,933
Central	49,433	-	20,572	70,005
Operation of non-instructional services:				
Food service operations	-	-	729,628	729,628
Community services	-	-	120,919	120,919
Extracurricular activities	330,974	-	216,755	547,729
Capital outlay	192,799	12,695,884	42,556	12,931,239
Debt service:				
Principal retirement	28,887	-	286,901	315,788
Interest and fiscal charges	8,004	-	366,644	374,648
Total expenditures	<u>20,188,561</u>	<u>12,736,557</u>	<u>3,252,240</u>	<u>36,177,358</u>
Excess of revenues over (under) expenditures	<u>(1,152,578)</u>	<u>(12,267,100)</u>	<u>(82,945)</u>	<u>(13,502,623)</u>
<u>Other financing sources</u>				
Proceeds from sale of capital assets	330	-	-	330
Transfers in	-	-	38,101	38,101
Transfers out	(38,101)	-	-	(38,101)
Total other financing sources (uses)	<u>(37,771)</u>	<u>-</u>	<u>38,101</u>	<u>330</u>
Net change in fund balances	(1,190,349)	(12,267,100)	(44,844)	(13,502,293)
Fund balances beginning of year	675,383	15,042,609	1,464,385	17,182,377
Fund balances end of year	<u>\$ (514,966)</u>	<u>\$ 2,775,509</u>	<u>\$ 1,419,541</u>	<u>\$ 3,680,084</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004**

Net change in fund balances - total governmental funds \$ (13,502,293)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities,
the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 12,931,239	
Depreciation expense	(438,633)	
Excess of capital outlay over depreciation expense		12,492,606

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

Capital assets at cost	240,275	
Accumulated depreciation	(221,620)	
Less book value	18,655	(18,655)

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

Property taxes	\$ 124,418	
Intergovernmental	21,365	
Tuition and fees	182,800	
Charges for services	3,936	
Miscellaneous	143,376	
Net change in deferred revenues during the year		475,895

Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets. 315,788

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

Increase in compensated absences	\$ (72,903)	
Increase in pension obligation	(15,576)	
Increase in accrued interest	(53,612)	
Total additional expenditures		(142,091)

Change in net assets of governmental activities \$ (378,750)

See accompanying notes to the basic financial statements.

Crestwood Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 5,641,450	\$ 5,641,450	\$ 5,666,038	\$ 24,588
Intergovernmental	13,137,460	12,545,726	12,421,553	(124,173)
Interest	45,000	45,000	44,926	(74)
Tuition and fees	761,350	761,350	850,076	88,726
Gifts and donations	-	-	2,293	2,293
Rent	-	-	3,349	3,349
Miscellaneous	-	-	33,877	33,877
Total revenues	<u>19,585,260</u>	<u>18,993,526</u>	<u>19,022,112</u>	<u>28,586</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,379,178	9,028,495	8,573,381	455,114
Special	2,150,975	2,069,907	1,981,924	87,983
Vocational	338,081	325,229	314,191	11,038
Other	729,543	701,770	678,981	22,789
Support services:				
Pupils	976,579	939,172	914,509	24,663
Instructional staff	1,266,040	1,217,601	1,184,206	33,395
Board of education	7,385	7,101	6,954	147
Administration	2,430,474	2,338,076	2,253,853	84,223
Fiscal	461,731	463,081	431,974	31,107
Business	23,321	22,423	21,959	464
Operation and maintenance of plant	2,055,487	1,977,790	1,899,494	78,296
Pupil transportation	1,859,052	1,787,830	1,741,217	46,613
Central	53,198	51,149	50,081	1,068
Extracurricular activities	351,630	338,087	331,092	6,995
Capital outlay	7,430	7,221	5,113	2,108
Total expenditures	<u>22,090,104</u>	<u>21,274,932</u>	<u>20,388,929</u>	<u>886,003</u>
Excess of revenues over (under) expenditures	<u>(2,504,844)</u>	<u>(2,281,406)</u>	<u>(1,366,817)</u>	<u>914,589</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of fixed assets		-	330	330
Transfers in	-	-	568	568
Advances in	215,000	215,000	179,431	(35,569)
Advances out	-	(202,972)	(198,772)	4,200
Transfers out	-	(39,486)	(38,669)	817
Total other financing sources (uses)	<u>215,000</u>	<u>(27,458)</u>	<u>(57,112)</u>	<u>(29,654)</u>
Net change in fund balance	(2,289,844)	(2,308,864)	(1,423,929)	884,935
Fund balances at beginning of year	1,858,827	1,858,827	1,858,827	-
Prior year encumbrances appropriated	431,029	431,029	431,029	-
Fund balances at end of year	<u>\$ 12</u>	<u>\$ (19,008)</u>	<u>\$ 865,927</u>	<u>\$ 884,935</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	
	Scholarship	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 1,336	\$ 67,355
Investments in segregated accounts	11,149	-
Total assets	<u>12,485</u>	<u>\$ 67,355</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 1,936
Due to general fund	-	3,725
Intergovernmental payable	-	100
Due to students	-	61,594
Total liabilities	<u>-</u>	<u>\$ 67,355</u>
<u>Net assets:</u>		
Restricted - Expendable	308	
Held in trust for scholarships	12,177	
Total net assets	<u>\$ 12,485</u>	

See accompanying notes to the basic financial statements.

Crestwood Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2004

	<u>Scholarships</u>
<u>Additions:</u>	
Interest	\$ 308
Gifts and donations	100
Total additions	<u>408</u>
<u>Deductions:</u>	
Other expenses	<u>100</u>
Change in net assets	308
Net assets beginning of year	<u>12,177</u>
Net assets end of year	<u>\$ 12,485</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 139 non-certificated employees and 199 certificated full time teaching and support personnel who provide services to 2,861 students and other community members.

Reporting Entity

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

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

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

The School District is associated with the Stark Portage Area Computer Consortium, the Portage County School Consortium and the Maplewood Career and Technical Center that are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 16.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

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

Fund Financial Statements

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

B. Fund Accounting

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

Governmental Funds:

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

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

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

Fiduciary Fund Types:

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

C. Measurement Focus

Government-wide Financial Statements

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The private purpose trust fund and the agency fund also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

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

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (excluding delinquent taxes) for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account.

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

E. Budgetary Data

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

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented on the statement of net assets in the account, "Equity in pooled cash and cash equivalents". During the current fiscal year investments were limited to certificates of deposit, overnight repurchase agreements, notes of federal governmental agencies, and STAR Ohio. All investments of the School District had a maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 5.

The School District invested funds in the State Treasurer's Asset Reserve (STAR Ohio) during fiscal year 2004. 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 Securities and Exchange Commission (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, 2004.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

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, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund may include the amount required by State statute to be set aside to create a reserve for the purchase of textbooks and instructional materials and buses. See Note 18 for additional information regarding statutory reserves.

J. Capital Assets

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

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

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

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

K. Interfund balances

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

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 School District will compensate the employees for the benefits through paid time off or some other means.

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

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

M. Accrued liabilities and long-term obligations

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

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

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 spent outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

O. Fund balance reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of the fund balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and endowments.

P. Interfund transactions

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

Crestwood Local School District
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Q. Estimates

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

NOTE 3 – RESTATEMENT OF NET ASSETS

After the end of the previous fiscal year, it was noted that the School District did not properly account for the accretion of discounted interest on capital appreciation bonds that were included in the Classroom Facilities and Site Acquisition bonds issued in 2001. As a result, it was necessary to restate beginning balances for the current year in the amount of \$68,412, which is reflected in “long-term liabilities due in more than one year” as well as “net assets invested in capital assets, net of related debt” on the statement of net assets. This amount represents the total accretion of discounted interest that should have been recorded through June 30, 2003.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Crestwood Local School District
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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

	<i>General</i>
<i>GAAP Basis</i>	\$ (1,190,349)
<i>Revenue Accruals</i>	166,128
<i>Expenditure Accruals</i>	(152,531)
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at Year End</i>	(247,177)
<i>Budget Basis</i>	\$ (1,423,929)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Interim moneys may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations or securities issued by the United States Treasury or any other obligations guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim moneys available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits:

At fiscal year end the carrying amount of the School District's deposits and petty cash totaled (\$46,208) and the bank balances of the deposits totaled \$300,000. Of the bank balance, \$100,000 was covered by federal depository insurance. \$200,000 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

B. Investments:

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the School District or its agent in the School District's name holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

All interest is legally required to be placed in the general fund, the Food Service special revenue fund Public School Support special revenue fund, the Classroom Facilities capital projects fund, the permanent fund and the private purpose trust fund. Due to these provisions, the general fund received \$44,926, of which \$21,042 was assigned from other School District funds.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

	<u>Category 3</u>	<u>Fair Value</u>
<u>Categorized Investments</u>		
<i>Federal agencies securities</i>	\$ 297,582	\$ 297,582
<i>Federated Bond Fund</i>	35,849	35,849
<i>Repurchase Agreements</i>	<u>4,212,125</u>	<u>4,212,125</u>
<i>Total Categorized</i>	<u>\$ 4,545,556</u>	<u>4,545,556</u>
 <u>Noncategorized Investments</u>		
<i>STAR Ohio</i>		<u>1,463,230</u>
<i>Total Investments</i>		<u>\$ 6,008,786</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2001 for the following tax year. Public utility property taxes are assessed on tangible personal property at 85% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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

Crestwood Local School District
Notes to the Basic Financial Statements
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Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amounts available as advances at June 30 was \$211,371 in the general fund, \$4,450 in the classroom facility maintenance special revenue fund, \$24,592 in the bond retirement debt service fund, and \$14,287 in the permanent improvement capital projects fund, and are recognized as revenue on the fund financial statements.

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<u>Property Category</u>	<u>2002 Assessed Value</u>	<u>2003 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 198,986,340	\$ 233,719,480
Commercial and Industrial	18,087,796	18,108,810
Public Utilities	5,500	6,030
 <u>Tangible Personal Property</u>		
General	16,260,548	15,418,432
Public Utilities	11,469,110	11,510,170
Total	<u>\$ 244,809,294</u>	<u>\$ 278,762,922</u>

NOTE 7 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts, intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The general fund accounts receivable at year-end consisted of tuition, excess costs and other miscellaneous reimbursements of \$52,003.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
General fund	\$ 977,614
<u>Special revenue funds:</u>	
Title VI-B	108,495
Food service	16,921
Title I	18,868
Improving teacher quality	10,634
Title V	4,533
Vocational education	<u>313</u>
Total intergovernmental receivable	<u>\$ 1,137,378</u>

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2004</u>
<i>Capital assets, not being depreciated:</i>				
Land and improvements	\$ 1,780,506	\$ 5,980	\$ -	\$ 1,786,486
Construction in progress	<u>5,413,118</u>	<u>12,710,461</u>	<u>-</u>	<u>18,123,579</u>
Total capital assets, not being depreciated	<u>7,193,624</u>	<u>12,716,441</u>	<u>-</u>	<u>19,910,065</u>
<i>Capital assets, being depreciated:</i>				
Buildings	6,445,672	-	-	6,445,672
Furniture and equipment	2,618,122	39,416	(67,679)	2,589,859
Vehicles	<u>2,493,024</u>	<u>175,382</u>	<u>(172,596)</u>	<u>2,495,810</u>
Total capital assets, being depreciated	<u>11,556,818</u>	<u>214,798</u>	<u>(240,275)</u>	<u>11,531,341</u>
<i>Less: Accumulated depreciation</i>				
Buildings	(4,090,927)	(119,984)	-	(4,210,911)
Furniture and equipment	(1,643,555)	(123,421)	53,464	(1,713,512)
Vehicles	<u>(1,307,638)</u>	<u>(195,228)</u>	<u>168,156</u>	<u>(1,334,710)</u>
Total accumulated depreciation	<u>(7,042,120)</u>	<u>(438,633)</u>	<u>221,620</u>	<u>(7,259,133)</u>
Total capital assets being depreciated, net	<u>4,514,698</u>	<u>(223,835)</u>	<u>(18,655)</u>	<u>4,272,208</u>
Governmental activities capital assets, net	<u>\$ 11,708,322</u>	<u>\$ 12,492,606</u>	<u>\$ (18,655)</u>	<u>\$ 24,182,273</u>

Crestwood Local School District
Notes to the Basic Financial Statements
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Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 132,532
<i>Special</i>	6,712
<i>Vocational</i>	240
<i>Support services:</i>	
<i>Pupils</i>	3,499
<i>Instructional staff</i>	28,379
<i>Administration</i>	38,245
<i>Fiscal</i>	1,290
<i>Operation and maintenance of plant</i>	16,004
<i>Pupil transportation</i>	192,586
<i>Operation of non-instructional services</i>	587
<i>Extracurricular activities</i>	3,843
<i>Food service operations</i>	14,716
	\$ 438,633

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2004 consisted of the following:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
<i>General fund</i>	\$ 131,720	\$ -
<i>Nonmajor governmental funds</i>		127,995
<i>Fiduciary funds</i>	-	3,725
	\$ 131,720	\$ 131,720

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2004, all interfund loans outstanding are anticipated to be repaid in fiscal year 2005.

NOTE 10 - INTERFUND TRANSFERS

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

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Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

During the fiscal year, the General fund made a transfer of \$6,901 to the Debt Retirement debt service fund to provide funds for the EPA Asbestos Removal loan payment, which came due during the year. The General fund also transferred \$25,700 and \$5,500 to the Food Service and District Managed Student Activities special revenue funds, respectively, to help finance the activities of these programs.

NOTE 11 - RISK MANAGEMENT

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

A. Property and liability

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

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

In addition, the School District contracted with Indiana Insurance for property, Nationwide Agribusiness for employee bonding, and Ohio School Plan for general liability insurance during fiscal year 2004.

B. Workers' Compensation

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

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2003, 8.17% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$309,117, \$183,915, and \$151,950, respectively; 40% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$185,654, representing the unpaid contribution for fiscal year 2004, is recorded as an intergovernmental payable.

B. State Teachers Retirement System

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

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

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

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The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2004 plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,245,927, \$849,778, and \$819,258, respectively; 83% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$211,187, representing the unpaid contribution for fiscal year 2004, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2004 were \$3,615 made by the School District and \$11,952 made by the plan members.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$95,841 during the 2004 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.1 billion at June 30, 2004. For the year ended June 30, 2004, the net health care costs paid by the STRS were \$268,739,000 and eligible benefit recipients totaled 111,853.

Crestwood Local School District
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For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced 50% for those who apply. For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$214,862, which includes a surcharge of \$47,891 during the 2004 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the SERS's net assets available for payment of health care benefits were \$300.8 million, at cost. The number of participants receiving health care benefits was approximately 62,000.

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets acquired by lease have been capitalized as equipment in the amount of \$166,070 equal to the present value of the future minimum lease payments in the government-wide financial statements. Principal payments in the current fiscal year totaled \$28,887.

Crestwood Local School District
Notes to the Basic Financial Statements
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The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

<i>Fiscal Year</i>	<i>Lease Payments</i>
2005	\$ 27,776
2006	24,252
2007	20,485
2008	<u>5,816</u>
<i>Total minimum lease payments</i>	78,329
<i>Less: amount representing interest</i>	<u>(9,907)</u>
<i>Present value of minimum lease payments</i>	<u>\$ 68,422</u>

NOTE 15 - LONG-TERM OBLIGATIONS

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

	<i>Balance at 6/30/03</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at 6/30/04</i>	<i>Due In One Year</i>
<i>Governmental Activities</i>					
<i>General Obligation Bonds</i>					
<i>2001 School Improvements, 5.00%</i>					
<i>Serial and term bonds</i>	\$ 7,810,110	\$ -	\$ (275,000)	\$ 7,535,110	\$ 285,000
<i>Capital appreciation bonds</i>	233,890	-	-	233,890	-
<i>Accretion on bonds</i>	66,896	38,268	-	105,164	-
 <i>2001 Site Acquisition, 5.00%</i>					
<i>Serial and term bonds</i>	195,000	-	(5,000)	190,000	5,000
<i>Capital appreciation bonds</i>	5,000	-	-	5,000	-
<i>Accretion on bonds</i>	1,516	867	-	2,383	-
<i>Total bonds and notes payable</i>	<u>8,312,412</u>	<u>39,135</u>	<u>(280,000)</u>	<u>8,071,547</u>	<u>290,000</u>
 <i>Other liabilities</i>					
<i>EPA Asbestos Removal Loan</i>	69,013	-	(6,901)	62,112	6,901
<i>Compensated absences</i>	840,925	239,760	(166,857)	913,828	56,438
<i>Capital leases</i>	97,309	-	(28,887)	68,422	22,244
<i>Total other liabilities</i>	<u>1,007,247</u>	<u>239,760</u>	<u>(202,645)</u>	<u>1,044,362</u>	<u>85,583</u>
<i>Governmental activities long-term liabilities</i>	<u>\$ 9,319,659</u>	<u>\$ 278,895</u>	<u>\$ (482,645)</u>	<u>\$ 9,115,909</u>	<u>\$ 375,583</u>

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

In fiscal year 2001, the School District issued bonds for the site acquisition and construction of classroom facilities in the amount of \$210,000 and \$8,474,000, respectively. Each of the bond issues will mature on December 1, 2023. All bonds are general obligation bonds for which the full faith and credit of the School District is pledged and will be paid from property taxes in the bond retirement debt service fund. Both bond issues include serial, term and capital appreciation bonds. Current year additions amounted to \$39,135 which represents the accretion of discounted interest. The final amounts of the classroom facilities and site acquisition capital appreciation bonds will be \$695,000 and \$15,000, respectively.

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

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2004 are as follows:

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>		<u>EPA Asbestos Removal Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2005	\$ 290,000	\$ 356,238	\$ 6,901	\$ -	\$ 653,139
2006	300,000	345,098	6,901	-	651,999
2007	315,000	333,101	6,901	-	655,002
2008	325,000	320,298	6,901	-	652,199
2009	340,000	306,663	6,901	-	653,564
2010-2014	1,348,890	1,895,450	27,607	-	3,271,947
2015-2019	2,225,000	988,441	-	-	3,213,441
2020-2024	2,820,110	366,250	-	-	3,186,360
<i>Total</i>	<u>\$ 7,964,000</u>	<u>\$ 4,911,539</u>	<u>\$ 62,112</u>	<u>\$ -</u>	<u>\$ 12,937,651</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Stark Portage Area Computer Consortium (SPARCC) is the computer service organization or Data Acquisition Site (DAS) used by the School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating school districts governs SPARCC. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the general fund. During the fiscal year, the School District contributed \$22,848 to SPARCC.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

The Portage County School Consortium is an insurance group-purchasing consortium made up of thirteen school districts in Portage County. All member districts pay an insurance premium directly to the consortium. The School District paid \$2,876,587 in the form of health care premiums to the consortium for the current fiscal year.

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

NOTE 17 - CONTINGENCIES

A. Grants:

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

B. School Funding:

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 18 - STATUTORY RESERVES

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>School Bus Reserve</i>	<i>Total</i>
<i>Set-aside cash balance as of June 30, 2003</i>	\$ 105,281	\$ -	\$ 1,500	\$ 106,781
<i>Current year set-aside requirement</i>	371,690	371,690	24,271	767,651
<i>Current year offset</i>	-	(445,923)	-	(445,923)
<i>Qualifying disbursements</i>	<u>(493,829)</u>	<u>-</u>	<u>(25,771)</u>	<u>(519,600)</u>
<i>Total</i>	<u>\$ (16,858)</u>	<u>\$ (74,233)</u>	<u>\$ -</u>	<u>(91,091)</u>
<i>Balance carried forward to FY2005</i>	<u>\$ (16,858)</u>			

NOTE 19 - ACCOUNTABILITY

A. Accountability:

As of June 30, 2004, six funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. Funds that had deficit balances are as follows:

<i>Fund</i>	<i>Amount</i>
<i>Special revenue funds:</i>	
<i>Food service</i>	\$ 32,387
<i>Vocational education enhancement</i>	312
<i>Title VI-B</i>	10,151
<i>Title V</i>	1,442
<i>Improving teacher quality</i>	10,700

NOTE 20 - COMMITMENTS

The School District has entered into contracts for the planning and construction of classroom facilities. As of June 30, 2004 the School District is committed to contracts for these projects in the amount of \$19,302,707 and has expended \$15,797,634 of this amount. These projects are commitments of the classroom facilities capital projects fund.

NOTE 21 – SUBSEQUENT EVENT

The School District will place a five-year replacement levy for operating expenses on the November 8, 2005 ballot. The 4.93 mill emergency levy is estimated to generate \$6.85 million.

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CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Lunch Program	N/A	10.555	\$ 114,387		\$ 114,387	
Food Distribution Program	N/A	10.550		\$ 147,436		\$ 147,436
Total U.S. Department of Agriculture - Nutrition Cluster			114,387	147,436	114,387	147,436
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2002 C1S1-2003 C1S1-2004 C1SD-2004	84.010	1,911 30,012 164,835 39,624		36,150 154,839 39,624	
Total Title I			236,382		230,613	
Special Education Cluster:						
Special Education - Grants to States	6BSF-2003-P 6BSF-2004	84.027	41,906 254,004		60,905 270,128	
Total Special Education Cluster			295,910		331,033	
Safe and Drug-Free Schools - State Grants (Title IV)	DRS1-2002 DRS1-2003 DRS1-2004	84.186	857 3,634 11,647		5,974 7,619	
Total Title IV			16,138		13,593	
Eisenhower 2001-2002	MSS1-2002	84.281	(10,990)			
Total Eisenhower Grant			(10,990)			
Innovative Education Program Strategies	C2S1-2003 C2S1-2004	84.298	2,562 11,203		3,209 11,203	
Total Innovative Education Program Strategies			13,765		14,412	
Technology Literacy Challenge Fund Grants (Title II)	TJS1-2003 TJS1-2004	84.318	732 4,818		1,242 3,885	
Total Title II D			5,550		5,127	
Assistive Technology	ATS4-2002 ATSI-2003	84.352	(25)		191 295	
Total Assistive Technology			(25)		486	
Improving Teacher Quality State Grants (Title II-A) (Title II A)	TRS1-2003 TRS1-2004	84.367	8,670 77,014		13,782 74,711	
Total Title II A			85,684		88,493	
Total U.S. Department of Education			642,414		683,757	
TOTAL			\$ 756,801	\$ 147,436	\$ 798,144	\$ 147,436

The accompanying notes to this schedule are an integral part of this schedule.

**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require that the School contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Auditor of State Betty Montgomery

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

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

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 the Crestwood Local School District, Portage County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 23, 2005. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the District's management dated August 23, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

Crestwood Local School District
Portage County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 23, 2005



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Crestwood Local School District, Portage County, Ohio, (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 apply to its major federal program for the year ended June 30, 2004. 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 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered 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 expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 23, 2005

**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CRESTWOOD LOCAL SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 4, 2005**