

CRESTVIEW LOCAL SCHOOL DISTRICT

RICHLAND COUNTY

AUDIT REPORT

For the Year Ended June 30, 2009

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Education
Crestview Local School District
1575 State Route 96 East
Ashland, Ohio 44805

We have reviewed the *Report of Independent Accountants* of the Crestview Local School District, Richland County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Crestview Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 17, 2009

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**CRESTVIEW LOCAL SCHOOL DISTRICT
 RICHLAND COUNTY
 AUDIT REPORT
 For the Year Ended June 30, 2009**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Crestview Local School District
Richland County
1575 St. Rt. 96
Ashland, Ohio 44805

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 Crestview Local School District, Richland County, Ohio, (the District), as of and for the year ended June 30, 2009, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Crestview Local School District, Richland County, Ohio, as of June 30, 2009, and the respective changes in financial position 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.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2009 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, 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 results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Charles E. Harris & Associates, Inc.
November 12, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Crestview Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities increased \$129,001 which represents a .49% increase from 2008.
- General revenues accounted for \$10,076,198 in revenue or 82.64% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,116,987 or 17.36% of total revenues of \$12,193,185.
- The District had \$12,064,184 in expenses related to governmental activities; \$2,116,987 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,076,198 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$10,175,158 in revenues and \$9,564,448 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance increased \$610,710 from \$4,290,419 to \$4,901,129.
- The District's debt service fund had \$562,078 in revenues and other financing sources and \$474,736 in expenditures. During fiscal year 2009, the debt service fund's fund balance increased \$87,342 from \$732,146 to \$819,488.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-47 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2009 and 2008.

| | Net Assets | |
|--|------------------------------------|------------------------------------|
| | Governmental Activities 2009 | Governmental Activities 2008 |
| <u>Assets</u> | | |
| Current and other assets | \$ 9,732,542 | \$ 10,264,772 |
| Capital assets, net | <u>24,721,241</u> | <u>25,107,075</u> |
| Total assets | <u>34,453,783</u> | <u>35,371,847</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 3,343,514 | 4,175,089 |
| Long-term liabilities | <u>4,430,956</u> | <u>4,646,446</u> |
| Total liabilities | <u>7,774,470</u> | <u>8,821,535</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 21,041,623 | 21,142,457 |
| Restricted | 1,376,214 | 1,412,580 |
| Unrestricted | <u>4,261,476</u> | <u>3,995,275</u> |
| Total net assets | <u>\$ 26,679,313</u> | <u>\$ 26,550,312</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$26,679,313. Of this total, \$4,261,476 is unrestricted in use.

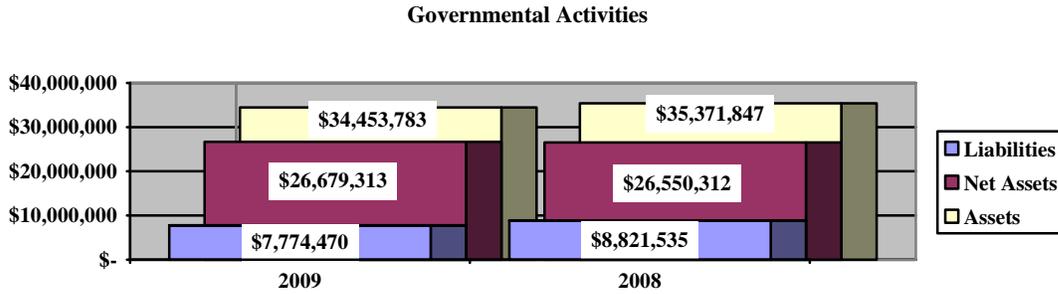
At year end, capital assets represented 71.75% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$21,041,623. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,376,214, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,261,476 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below shows the District's assets, liabilities and net assets for the governmental activities for 2009 and 2008:



The table below shows the change in net assets for fiscal year 2009 and 2008.

Change in Net Assets

| | Governmental Activities <u>2009</u> | Governmental Activities <u>2008</u> |
|------------------------------------|---|---|
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 618,708 | \$ 550,951 |
| Operating grants and contributions | 1,484,298 | 1,530,122 |
| Capital grants and contributions | 13,981 | 6,571 |
| General revenues: | | |
| Property taxes | 2,797,490 | 2,921,537 |
| Grants and entitlements | 7,014,522 | 6,589,737 |
| Investment earnings | 244,598 | 280,378 |
| Other | <u>19,588</u> | <u>16,849</u> |
| Total revenues | <u>12,193,185</u> | <u>11,896,145</u> |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Change in Net Assets

| | <u>Governmental Activities 2009</u> | <u>Governmental Activities 2008</u> |
|---|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 5,215,292 | \$ 5,015,037 |
| Special | 1,395,976 | 1,307,745 |
| Vocational | 249,988 | 228,960 |
| Other | 34,942 | 41,555 |
| Support services: | | |
| Pupil | 409,179 | 425,095 |
| Instructional staff | 373,686 | 343,191 |
| Board of education | 62,112 | 76,444 |
| Administration | 702,929 | 725,441 |
| Fiscal | 256,240 | 243,452 |
| Business | 895 | 962 |
| Operations and maintenance | 1,217,723 | 1,173,579 |
| Pupil transportation | 827,269 | 801,782 |
| Central | 80,713 | 75,018 |
| Operations of non-instructional services: | | |
| Food service operations | 454,645 | 435,461 |
| Other non-instructional services | 44,189 | 8,201 |
| Extracurricular activities | 491,346 | 422,636 |
| Interest and fiscal charges | <u>247,060</u> | <u>247,015</u> |
| Total expenses | <u>12,064,184</u> | <u>11,571,574</u> |
| Special Item | - | (93,571) |
| Change in net assets | 129,001 | 231,000 |
| Net assets at beginning of year | <u>26,550,312</u> | <u>26,319,312</u> |
| Net assets at end of year | <u>\$ 26,679,313</u> | <u>\$ 26,550,312</u> |

Governmental Activities

Net assets of the District's governmental activities increased \$129,001. Total governmental expenses of \$12,064,184 were offset by program revenues of \$2,116,987 and general revenues of \$10,076,198. Program revenues supported 17.55% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 80.47% of total governmental revenue.

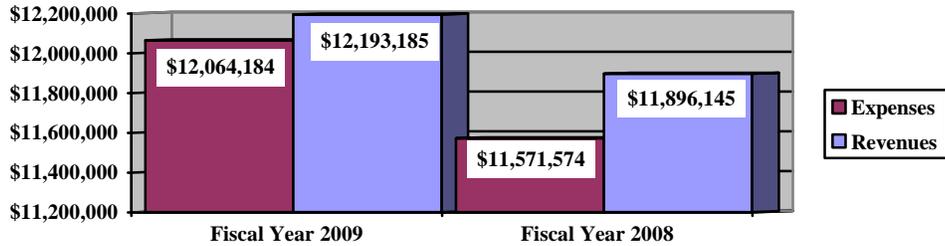
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,896,198 or 57.16% of total governmental expenses for fiscal year 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2009 and 2008.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

| | Total Cost of Services 2009 | Net Cost of Services 2009 | Total Cost of Services 2008 | Net Cost of Services 2008 |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 5,215,292 | \$ 4,997,054 | \$ 5,015,037 | \$ 4,808,175 |
| Special | 1,395,976 | 350,630 | 1,307,745 | 267,306 |
| Vocational | 249,988 | 200,466 | 228,960 | 184,792 |
| Other | 34,942 | 34,083 | 41,555 | 38,877 |
| Support services: | | | | |
| Pupil | 409,179 | 326,523 | 425,095 | 293,083 |
| Instructional staff | 373,686 | 350,978 | 343,191 | 320,897 |
| Board of education | 62,112 | 62,112 | 76,444 | 76,444 |
| Administration | 702,929 | 702,929 | 725,441 | 725,441 |
| Fiscal | 256,240 | 256,240 | 243,452 | 243,452 |
| Business | 895 | 677 | 962 | 687 |
| Operations and maintenance | 1,217,723 | 1,216,543 | 1,173,579 | 1,172,477 |
| Pupil transportation | 827,269 | 791,580 | 801,782 | 768,179 |
| Central | 80,713 | 66,713 | 75,018 | 61,018 |
| Operations of non-instructional services | | | | |
| Food service operations | 454,645 | (15,541) | 435,461 | 11,322 |
| Other non-instructional services | 44,189 | 44,189 | 8,201 | 8,201 |
| Extracurricular activities | 491,346 | 314,961 | 422,636 | 256,564 |
| Interest and fiscal charges | 247,060 | 247,060 | 247,015 | 247,015 |
| Total expenses | \$ 12,064,184 | \$ 9,947,197 | \$ 11,571,574 | \$ 9,483,930 |

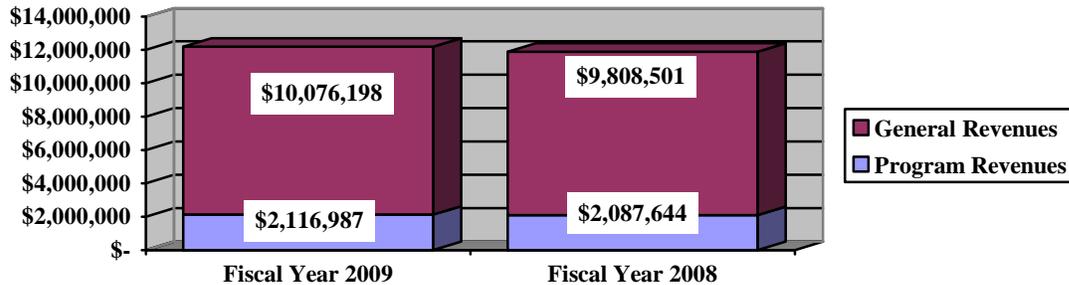
**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The dependence upon tax and other general revenues for governmental activities is apparent, 80.95% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.50%. The District's taxpayers and grants and entitlements received from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2009 and 2008.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$6,219,171, which is higher than last year's total of \$5,662,515. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

| | Fund Balance June 30, 2009 | Fund Balance June 30, 2008 | Increase (Decrease) | Percentage Change |
|--------------------|-------------------------------|-------------------------------|------------------------|----------------------|
| General | \$ 4,901,129 | \$ 4,290,419 | \$ 610,710 | 14.23 % |
| Debt service | 819,488 | 732,146 | 87,342 | 11.93 % |
| Other governmental | 498,554 | 639,950 | (141,396) | (22.09) % |
| Total | <u>\$ 6,219,171</u> | <u>\$ 5,662,515</u> | <u>\$ 556,656</u> | 9.83 % |

General Fund

The District's general fund balance increased \$610,710. The increase is primarily due to increased State revenue over the prior year. Revenues exceeded expenditures for fiscal year 2009 by \$612,310.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

| | <u>2009</u> <u>Amount</u> | <u>2008</u> <u>Amount</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 2,293,281 | \$ 2,232,437 | \$ 60,844 | 2.73 % |
| Earnings on investments | 231,319 | 311,409 | (80,090) | (25.72) % |
| Intergovernmental | 7,436,715 | 6,983,844 | 452,871 | 6.48 % |
| Other revenues | <u>213,843</u> | <u>187,237</u> | <u>26,606</u> | 14.21 % |
| Total | <u>\$ 10,175,158</u> | <u>\$ 9,714,927</u> | <u>\$ 460,231</u> | 4.74 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 5,669,726 | \$ 5,419,949 | \$ 249,777 | 4.61 % |
| Support services | 3,566,223 | 3,398,977 | 167,246 | 4.92 % |
| Non-instructional services | 32,942 | 8,201 | 24,741 | 301.68 % |
| Extracurricular activities | 272,056 | 252,593 | 19,463 | 7.71 % |
| Facilities acquisition and construction | 21,901 | 19,485 | 2,416 | 12.40 % |
| Debt service | <u>-</u> | <u>4,622</u> | <u>(4,622)</u> | (100.00) % |
| Total | <u>\$ 9,562,848</u> | <u>\$ 9,103,827</u> | <u>\$ 459,021</u> | 5.04 % |

Earnings on investments decreased 25.72% due to several investments reaching maturity and also due to decreased interest rates. State funding increased by 6.48%. Expenditures increased 5.04%, most of which was due to personnel costs.

Debt Service Fund

The District's debt service fund had \$562,078 in revenues and other financing sources and \$474,736 in expenditures. During fiscal year 2009, the debt service fund's fund balance increased \$87,342 from \$732,146 to \$819,488.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$9,722,534 and final budgeted revenues and other financing sources were \$9,735,317. Actual revenues and other financing sources for fiscal year 2009 were \$10,161,064. This represents a \$425,747 increase over final budgeted revenues and other financing sources. The increase is primarily due to the conservative budgeting of taxes and intergovernmental revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$9,982,183 and final appropriations were \$9,994,753. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$9,735,758, which was \$258,995 lower than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$24,721,241 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2009 balances compared to 2008:

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

| | Governmental Activities | |
|---------------------------|-------------------------|-------------------|
| | 2009 | 2008 |
| Land | \$ 194,705 | \$ 194,705 |
| Land improvements | 176,298 | 181,840 |
| Building and improvements | 23,353,590 | 23,936,973 |
| Furniture and equipment | 345,348 | 397,584 |
| Vehicles | 651,300 | 395,973 |
| Total | \$ 24,721,241 | \$ 25,107,075 |

The overall decrease in capital assets of \$385,834 is due to depreciation expense of \$754,307 and disposals of \$13,435 (net of accumulated depreciation) exceeding capital outlays of \$381,908. See Note 8 to the basic financial statements for additional information on the District's capital assets.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Debt Administration

At June 30, 2009, the District had \$3,973,992 in general obligation bonds. Of this total, \$310,000 is due within one year and \$3,663,992 is due in greater than one year. The following table summarizes the bonds and capital leases outstanding.

Outstanding Debt, at Year End

| | Governmental Activities <u>2009</u> | Governmental Activities <u>2008</u> |
|--------------------------|---|---|
| General obligation bonds | \$ 3,973,992 | \$ 4,191,868 |
| Total | <u>\$ 3,973,992</u> | <u>\$ 4,191,868</u> |

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

Current Financial Related Activities

The Crestview School District is in a solid financial position. The District had a carryover available cash balance in the general fund of \$4.9 million as of June 30, 2009. The 5-year financial forecast shows a positive cash balance through fiscal year 2013.

The District, however, is seeing that starting in fiscal year 2010, revenues aren't keeping pace with expenditures. Eventually, the carry over balance of cash will be exhausted. This will become a serious issue as the District will need greater revenues in the future.

Since the District relies on the State for approximately 65% of the general operating revenues, one of the largest challenges facing the district is that of State funding. The State of Ohio was found by the Supreme Court in March 1997 to be operating an unconstitutional education funding system, one that was neither adequate nor equitable. Since State funding isn't sufficient to pay the entire cost of an adequate education, districts are forced to make up those funds with local revenues.

The District renewed a 10.3 mil operating levy in March 2008, as a continuing levy. Because the assessed property valuation in the District is low, obtaining adequate funding through local revenues is nearly impossible.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Tina Bennett, Treasurer, Crestview Local School District, 1575 St. Rt. 96 East, Ashland, Ohio 44805.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and investments | \$ 6,518,200 |
| Receivables: | |
| Taxes | 3,014,700 |
| Accounts | 17,078 |
| Intergovernmental | 63,150 |
| Accrued interest | 38,756 |
| Prepayments | 37,341 |
| Materials and supplies inventory | 43,317 |
| Capital assets: | |
| Land | 194,705 |
| Depreciable capital assets, net | 24,526,536 |
| Capital assets, net. | 24,721,241 |
| Total assets. | 34,453,783 |
| Liabilities: | |
| Accounts payable. | 8,124 |
| Accrued wages and benefits | 796,070 |
| Pension obligation payable. | 222,241 |
| Intergovernmental payable | 49,910 |
| Unearned revenue | 2,252,585 |
| Accrued interest payable | 14,584 |
| Long-term liabilities: | |
| Due within one year. | 334,212 |
| Due in more than one year | 4,096,744 |
| Total liabilities | 7,774,470 |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 21,041,623 |
| Restricted for: | |
| Capital projects | 81,312 |
| Debt service. | 822,805 |
| Classroom facilities maintenance. | 280,334 |
| Locally funded programs | 5,731 |
| Student activities | 18,461 |
| Other purposes | 167,571 |
| Unrestricted. | 4,261,476 |
| Total net assets | \$ 26,679,313 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|--|----------------------|--------------------------------------|--|--|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 5,215,292 | \$ 109,622 | \$ 108,616 | \$ - | \$ (4,997,054) |
| Special | 1,395,976 | 98,007 | 947,339 | - | (350,630) |
| Vocational | 249,988 | - | 49,522 | - | (200,466) |
| Other | 34,942 | - | 859 | - | (34,083) |
| Support services: | | | | | |
| Pupil. | 409,179 | - | 82,656 | - | (326,523) |
| Instructional staff | 373,686 | - | 22,708 | - | (350,978) |
| Board of education | 62,112 | - | - | - | (62,112) |
| Administration. | 702,929 | - | - | - | (702,929) |
| Fiscal. | 256,240 | - | - | - | (256,240) |
| Business. | 895 | 218 | - | - | (677) |
| Operations and maintenance | 1,217,723 | 1,180 | - | - | (1,216,543) |
| Pupil transportation. | 827,269 | - | 21,708 | 13,981 | (791,580) |
| Central | 80,713 | - | 14,000 | - | (66,713) |
| Operation of non-instructional services: | | | | | |
| Food service operations | 454,645 | 237,668 | 232,518 | - | 15,541 |
| Other non-instructional services | 44,189 | - | - | - | (44,189) |
| Extracurricular activities. | 491,346 | 172,013 | 4,372 | - | (314,961) |
| Interest and fiscal charges | 247,060 | - | - | - | (247,060) |
| Total governmental activities | \$ 12,064,184 | \$ 618,708 | \$ 1,484,298 | \$ 13,981 | (9,947,197) |

General Revenues:

| | |
|--|----------------------|
| Property taxes levied for: | |
| General purposes | 2,131,454 |
| Special revenue | 39,511 |
| Debt service. | 388,435 |
| Capital projects | 238,090 |
| Grants and entitlements not restricted to specific programs. | |
| Investment earnings | 7,014,522 |
| Miscellaneous | 244,598 |
| | 19,588 |
| Total general revenues. | 10,076,198 |
| Change in net assets | 129,001 |
| Net assets at beginning of year. | 26,550,312 |
| Net assets at end of year | \$ 26,679,313 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

| | <u>General</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------------|---|---|
| Assets: | | | | |
| Equity in pooled cash and investments | \$ 5,264,739 | \$ 733,008 | \$ 486,457 | \$ 6,484,204 |
| Receivables: | | | | |
| Taxes. | 2,310,156 | 412,901 | 291,643 | 3,014,700 |
| Accounts | 16,846 | - | 232 | 17,078 |
| Intergovernmental | 8,408 | - | 54,742 | 63,150 |
| Accrued interest | 38,756 | - | - | 38,756 |
| Prepayments | 37,341 | - | - | 37,341 |
| Materials and supplies inventory | 29,175 | - | 14,142 | 43,317 |
| Restricted assets: | | | | |
| Equity in pooled cash and cash equivalents. | 33,996 | - | - | 33,996 |
| Total assets | <u>\$ 7,739,417</u> | <u>\$ 1,145,909</u> | <u>\$ 847,216</u> | <u>\$ 9,732,542</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 4,974 | \$ - | \$ 3,150 | \$ 8,124 |
| Accrued wages and benefits | 706,194 | - | 89,876 | 796,070 |
| Compensated absences payable | 17,135 | - | - | 17,135 |
| Pension obligation payable | 200,384 | - | 21,857 | 222,241 |
| Intergovernmental payable. | 46,691 | - | 3,219 | 49,910 |
| Deferred revenue. | 136,762 | 17,901 | 12,643 | 167,306 |
| Unearned revenue. | 1,726,148 | 308,520 | 217,917 | 2,252,585 |
| Total liabilities | <u>2,838,288</u> | <u>326,421</u> | <u>348,662</u> | <u>3,513,371</u> |
| Fund Balances: | | | | |
| Reserved for encumbrances | 104,948 | - | 24,023 | 128,971 |
| Reserved for materials and supplies inventory. | 29,175 | - | 14,142 | 43,317 |
| Reserved for prepayments | 37,341 | - | - | 37,341 |
| Reserved for property tax unavailable for appropriation | 483,852 | 86,480 | 61,083 | 631,415 |
| Reserved for debt service | - | 733,008 | - | 733,008 |
| Reserved for BWC refunds. | 32,798 | - | - | 32,798 |
| Reserved for school bus purchase | 1,198 | - | - | 1,198 |
| Unreserved: | | | | |
| Designated for budget stabilization | 121,033 | - | - | 121,033 |
| Undesignated, reported in: | | | | |
| General fund | 4,090,784 | - | - | 4,090,784 |
| Special revenue funds | - | - | 381,679 | 381,679 |
| Capital projects funds | - | - | 17,627 | 17,627 |
| Total fund balances | <u>4,901,129</u> | <u>819,488</u> | <u>498,554</u> | <u>6,219,171</u> |
| Total liabilities and fund balances | <u>\$ 7,739,417</u> | <u>\$ 1,145,909</u> | <u>\$ 847,216</u> | <u>\$ 9,732,542</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

| | | |
|--|-------------|----------------------|
| Total governmental fund balances | | \$ 6,219,171 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 24,721,241 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Taxes receivable | \$ 130,700 | |
| Intergovernmental receivable | 3,212 | |
| Accrued interest receivable | 33,394 | |
| Total | | 167,306 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | (439,829) | |
| General obligation bonds payable | (3,973,992) | |
| Accrued interest payable | (14,584) | |
| Total | | (4,428,405) |
| Net assets of governmental activities | | \$ 26,679,313 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | <u>General</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------------|---|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 2,293,281 | \$ 416,982 | \$ 297,761 | \$ 3,008,024 |
| Tuition. | 136,730 | - | - | 136,730 |
| Charges for services. | - | - | 237,668 | 237,668 |
| Earnings on investments. | 231,319 | - | 4,582 | 235,901 |
| Extracurricular. | - | - | 179,839 | 179,839 |
| Classroom materials and fees | 55,939 | - | - | 55,939 |
| Rental income | 1,180 | - | - | 1,180 |
| Contributions and donations. | 550 | - | 23,163 | 23,713 |
| Other local revenues. | 19,444 | - | 6,946 | 26,390 |
| Intergovernmental - State | 7,436,715 | 59,969 | 102,468 | 7,599,152 |
| Intergovernmental - Federal | - | - | 929,514 | 929,514 |
| Total revenue | <u>10,175,158</u> | <u>476,951</u> | <u>1,781,941</u> | <u>12,434,050</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,536,813 | - | 216,718 | 4,753,531 |
| Special. | 864,217 | - | 489,779 | 1,353,996 |
| Vocational. | 234,613 | - | - | 234,613 |
| Other. | 34,083 | - | 859 | 34,942 |
| Support services: | | | | |
| Pupil. | 327,307 | - | 93,973 | 421,280 |
| Instructional staff | 313,944 | - | 22,638 | 336,582 |
| Board of education | 60,529 | - | - | 60,529 |
| Administration. | 671,362 | - | - | 671,362 |
| Fiscal | 239,258 | 8,641 | 6,150 | 254,049 |
| Business | - | - | 895 | 895 |
| Operations and maintenance. | 1,056,222 | - | 114,027 | 1,170,249 |
| Pupil transportation | 830,888 | - | 250,732 | 1,081,620 |
| Central. | 66,713 | - | 14,000 | 80,713 |
| Operation of non-instructional services: | | | | |
| Food service operations | - | - | 413,529 | 413,529 |
| Other non-instructional services. | 32,942 | - | 11,247 | 44,189 |
| Extracurricular activities. | 272,056 | - | 179,044 | 451,100 |
| Facilities acquisition and construction | 21,901 | - | 26,219 | 48,120 |
| Debt service: | | | | |
| Principal retirement | - | 285,000 | - | 285,000 |
| Interest and fiscal charges | - | 181,095 | - | 181,095 |
| Total expenditures | <u>9,562,848</u> | <u>474,736</u> | <u>1,839,810</u> | <u>11,877,394</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>612,310</u> | <u>2,215</u> | <u>(57,869)</u> | <u>556,656</u> |
| Other financing sources (uses): | | | | |
| Transfers in. | - | 85,127 | 223,044 | 308,171 |
| Transfers (out) | <u>(1,600)</u> | <u>-</u> | <u>(306,571)</u> | <u>(308,171)</u> |
| Total other financing sources (uses) | <u>(1,600)</u> | <u>85,127</u> | <u>(83,527)</u> | <u>-</u> |
| Net change in fund balances | 610,710 | 87,342 | (141,396) | 556,656 |
| Fund balances at beginning of year | <u>4,290,419</u> | <u>732,146</u> | <u>639,950</u> | <u>5,662,515</u> |
| Fund balances at end of year. | <u>\$ 4,901,129</u> | <u>\$ 819,488</u> | <u>\$ 498,554</u> | <u>\$ 6,219,171</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | | |
|---|------------------|-----------------------|
| Net change in fund balances - total governmental funds | \$ | 556,656 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay in the current period. | | |
| Capital asset additions | \$ 381,908 | |
| Current year depreciation | <u>(754,307)</u> | |
| Total | | (372,399) |
| The net effect of various miscellaneous transactions involving capital assets is to decrease net assets. | | |
| | | (13,435) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Taxes | (210,534) | |
| Interest | 10,016 | |
| Intergovernmental | <u>(40,347)</u> | |
| Total | | (240,865) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | |
| | | 285,000 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported on the statement of activities: | | |
| Decrease in accrued interest payable | 1,159 | |
| Accreted interest on capital appreciation bonds | <u>(67,124)</u> | |
| Total | | (65,965) |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | <u>(19,991)</u> |
| Change in net assets of governmental activities | \$ | <u>129,001</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 2,236,772 | \$ 2,239,713 | \$ 2,264,316 | \$ 24,603 |
| Tuition. | 115,652 | 115,804 | 136,730 | 20,926 |
| Earnings on investments. | 318,527 | 318,946 | 209,328 | (109,618) |
| Classroom materials and fees | 48,970 | 49,034 | 57,658 | 8,624 |
| Rental income | 1,102 | 1,103 | 1,180 | 77 |
| Contributions and donations. | 554 | 555 | 550 | (5) |
| Other local revenues | 14,591 | 14,610 | 18,654 | 4,044 |
| Intergovernmental - State | 6,967,538 | 6,976,699 | 7,430,540 | 453,841 |
| Total revenue | 9,703,706 | 9,716,464 | 10,118,956 | 402,492 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,632,630 | 4,638,465 | 4,580,173 | 58,292 |
| Special. | 934,568 | 935,745 | 925,681 | 10,064 |
| Vocational. | 235,435 | 235,731 | 233,213 | 2,518 |
| Other. | 34,926 | 34,970 | 34,090 | 880 |
| Support services: | | | | |
| Pupil. | 339,215 | 339,642 | 329,320 | 10,322 |
| Instructional staff | 322,944 | 323,351 | 318,103 | 5,248 |
| Board of education | 70,607 | 70,696 | 67,158 | 3,538 |
| Administration. | 709,825 | 710,719 | 696,580 | 14,139 |
| Fiscal | 241,722 | 242,026 | 240,055 | 1,971 |
| Operations and maintenance. | 1,086,630 | 1,087,998 | 1,083,267 | 4,731 |
| Pupil transportation | 841,676 | 842,736 | 838,294 | 4,442 |
| Central. | 89,165 | 89,277 | 63,344 | 25,933 |
| Operation of non-instructional services | 34,342 | 34,385 | 28,473 | 5,912 |
| Extracurricular activities. | 281,111 | 281,465 | 272,882 | 8,583 |
| Facilities acquisition and construction. | 22,750 | 22,779 | 22,546 | 233 |
| Total expenditures | 9,877,546 | 9,889,985 | 9,733,179 | 156,806 |
| Excess (deficiency) of revenues over (under) expenditures. | (173,840) | (173,521) | 385,777 | 559,298 |
| Other financing sources (uses): | | | | |
| Refund of prior year expenditure. | - | - | 38,090 | 38,090 |
| Refund of prior year receipts | (1,149) | (1,150) | (979) | 171 |
| Transfers (out) | (1,598) | (1,600) | (1,600) | - |
| Contingencies. | (101,890) | (102,018) | - | 102,018 |
| Sale of capital assets | 18,828 | 18,853 | 4,018 | (14,835) |
| Total other financing sources (uses) | (85,809) | (85,915) | 39,529 | 125,444 |
| Net change in fund balance | (259,649) | (259,436) | 425,306 | 684,742 |
| Fund balance at beginning of year. | 4,571,448 | 4,571,448 | 4,571,448 | - |
| Prior year encumbrances appropriated | 156,149 | 156,149 | 156,149 | - |
| Fund balance at end of year | \$ 4,467,948 | \$ 4,468,161 | \$ 5,152,903 | \$ 684,742 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

| | Private-Purpose Trust | |
|---|------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and investments | \$ 1,550 | \$ 31,856 |
| Receivables: | | |
| Accounts | - | 24 |
| Total assets | 1,550 | \$ 31,880 |
| Liabilities: | | |
| Due to students | - | \$ 31,880 |
| Total liabilities | - | \$ 31,880 |
| Net Assets: | | |
| Held in trust for scholarships | 1,550 | |
| Total net assets | \$ 1,550 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | Private - Purpose Trust |
|---|------------------------------------|
| | Scholarship |
| Additions: | |
| Interest | \$ 44 |
| Gifts and contributions. | 1,000 |
| | 1,044 |
| Total additions. | 1,044 |
| Deductions: | |
| Scholarships awarded | 1,499 |
| | 1,499 |
| Total deductions. | 1,499 |
| Change in net assets | (455) |
| Net assets at beginning of year. | 2,005 |
| Net assets at end of year | \$ 1,550 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 418th largest by total enrollment among the 922 public and community school districts in the State. Average daily membership during fiscal year 2009 was 1,248. The District employed 92 certified employees and 61 non-certified employees.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2009, the District paid \$64,967 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Pioneer Career and Technology Center (PCTC)

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

INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The following are the District's major governmental funds:

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

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

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

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue in the governmental funds.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2009 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2009.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2009.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2009, investments were limited to non – negotiable certificates of deposit, federal agency securities, negotiable CD's and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exception: nonparticipating investment contracts such as certificates of deposit are reported at cost.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The District has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment earnings are credited to funds based on Board Policy and State statute. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$231,319, which includes \$54,351 assigned from other funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

| <u>Description</u> | Governmental Activities <u>Estimated Lives</u> |
|----------------------------|--|
| Land improvements | 5 - 20 years |
| Buildings and improvements | 20 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 6 - 10 years |

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no short-term interfund balances at June 30, 2009.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age, were expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves and Designations

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

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

M. Net Assets

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

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

N. Prepayments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

O. Estimates

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

P. Restricted Assets

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|------------------------------|----------------|
| Title VI-B | \$ 12,485 |
| Class size reduction | 7,019 |
| Miscellaneous federal grants | 16 |

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

At fiscal year end, the District had \$400 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$4,497,334. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, \$806,040 of the District’s bank balance of \$4,666,841 was exposed to custodial risk as discussed below, while \$3,860,801 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2009, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment Maturities</u> | | | | |
|------------------------|---------------------|------------------------------|-----------------------|------------------------|------------------------|-------------------------------|
| | | <u>6 months or less</u> | <u>7 to 12 months</u> | <u>13 to 18 months</u> | <u>19 to 24 months</u> | <u>Greater than 24 months</u> |
| STAR Ohio | \$ 249,982 | \$ 249,982 | \$ - | \$ - | \$ - | \$ - |
| FFCB | 250,783 | - | - | - | - | 250,783 |
| FNMA | 250,312 | - | - | - | - | 250,312 |
| Negotiable CD's | <u>1,302,795</u> | <u>599,032</u> | <u>503,421</u> | <u>-</u> | <u>97,947</u> | <u>102,395</u> |
| Total | <u>\$ 2,053,872</u> | <u>\$ 849,014</u> | <u>\$ 503,421</u> | <u>\$ -</u> | <u>\$ 97,947</u> | <u>\$ 603,490</u> |

The weighted average length to maturity of the District’s investments is 1.17 years.

Interest Rate Risk: Interest rate risk arises potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District’s investments in federal agency securities and negotiable certificates of deposit were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|---------------------|-------------------|
| STAR Ohio | \$ 249,982 | 12.17 |
| FFCB | 250,783 | 12.21 |
| FNMA | 250,312 | 12.19 |
| Negotiable CD's | <u>1,302,795</u> | <u>63.43</u> |
| Total | <u>\$ 2,053,872</u> | <u>100.00</u> |

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

| | |
|---|---------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 4,497,334 |
| Investments | 2,053,872 |
| Cash on hand | <u>400</u> |
| Total | <u>\$ 6,551,606</u> |
| <u>Cash and investments per statement of net assets</u> | |
| Governmental activities | \$ 6,518,200 |
| Private-purpose trust funds | 1,550 |
| Agency fund | <u>31,856</u> |
| Total | <u>\$ 6,551,606</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Ashland and Richland Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$483,852 in the general fund, \$86,480 in the debt service fund, \$8,319 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$52,764 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2008 was \$420,584 in the general fund, \$74,568 in the debt service fund, \$7,229 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$45,432 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 5 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

| | 2008 Second Half Collections | | 2009 First Half Collections | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 102,437,730 | 91.63 | \$ 107,951,110 | 92.08 |
| Public utility personal | 8,366,630 | 7.48 | 8,565,050 | 7.31 |
| Tangible personal property | <u>993,042</u> | <u>0.89</u> | <u>719,944</u> | <u>0.61</u> |
| Total | <u>\$ 111,797,402</u> | <u>100.00</u> | <u>\$ 117,236,104</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation for: | | | | |
| Operations | \$42.40 | | \$42.40 | |
| Debt service | 4.00 | | 4.00 | |
| Permanent improvement | 3.00 | | 3.00 | |

NOTE 6 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

| | <u>Amount</u> |
|---|-------------------|
| Transfers to nonmajor governmental fund from: | |
| General fund | \$ 1,600 |
| Transfers to debt service fund from: | |
| Nonmajor governmental fund | 85,127 |
| Transfers to nonmajor governmental fund from: | |
| Nonmajor governmental fund | <u>221,444</u> |
| Total transfers | <u>\$ 308,171</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - INTERFUND TRANSACTIONS - (Continued)

The primary purpose of the transfers was to close out the classroom facilities fund (a nonmajor governmental fund) due to the completion of the Ohio School Facilities Commission project. A portion of excess proceeds were transferred to the debt service fund and the remainder was transferred to the maintenance fund (a nonmajor governmental fund). Transfers are also 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) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move debt proceeds to the fund which is required to expend them.

The District transferred \$1,600 from the general fund to the athletic fund (a nonmajor governmental fund) for subsidy of normal operations. The applicable Ohio Revised Code compliance requirements were met.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

| | |
|-------------------|---------------------|
| Taxes | \$ 3,014,700 |
| Accounts | 17,078 |
| Intergovernmental | 63,150 |
| Accrued interest | <u>38,756</u> |
| Total | <u>\$ 3,133,684</u> |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

| | <u>Balance</u> <u>06/30/08</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>06/30/09</u> |
|---|-----------------------------------|---------------------|--------------------|-----------------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 194,705 | \$ - | \$ - | \$ 194,705 |
| Total capital assets, not being depreciated | <u>194,705</u> | <u>-</u> | <u>-</u> | <u>194,705</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 280,676 | 16,294 | - | 296,970 |
| Buildings and improvements | 30,080,721 | 18,474 | (9,249) | 30,089,946 |
| Furniture and equipment | 823,090 | 24,622 | (29,974) | 817,738 |
| Vehicles | <u>1,500,056</u> | <u>322,518</u> | <u>(162,899)</u> | <u>1,659,675</u> |
| Total capital assets, being depreciated | <u>32,684,543</u> | <u>381,908</u> | <u>(202,122)</u> | <u>32,864,329</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (98,836) | (21,836) | - | (120,672) |
| Buildings and improvements | (6,143,748) | (594,828) | 2,220 | (6,736,356) |
| Furniture and equipment | (425,506) | (70,452) | 23,568 | (472,390) |
| Vehicles | <u>(1,104,083)</u> | <u>(67,191)</u> | <u>162,899</u> | <u>(1,008,375)</u> |
| Total accumulated depreciation | <u>(7,772,173)</u> | <u>(754,307)</u> | <u>188,687</u> | <u>(8,337,793)</u> |
| Governmental activities capital assets, net | <u>\$ 25,107,075</u> | <u>\$ (372,399)</u> | <u>\$ (13,435)</u> | <u>\$ 24,721,241</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|-------------------|
| <u>Instruction:</u> | |
| Regular | \$ 438,112 |
| Special | 29,418 |
| Vocational | 10,259 |
| <u>Support services:</u> | |
| Pupil | 2,313 |
| Instructional staff | 35,761 |
| Board of education | 1,583 |
| Administration | 32,053 |
| Fiscal | 2,394 |
| Operations and maintenance | 45,355 |
| Pupil transportation | 65,157 |
| Extracurricular activities | 40,246 |
| Food service operations | <u>51,656</u> |
| Total depreciation expense | <u>\$ 754,307</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

| | Balance <u>06/30/08</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>06/30/09</u> | Amounts Due in <u>One Year</u> |
|---|----------------------------|-------------------|---------------------|----------------------------|--------------------------------------|
| <u>General obligation bonds</u> | | | | | |
| Current interest bonds | \$ 3,870,000 | \$ - | \$ (285,000) | \$ 3,585,000 | \$ 310,000 |
| Capital appreciation bonds | 94,618 | - | - | 94,618 | - |
| Accreted interest on capital appreciation bonds | <u>227,250</u> | <u>67,124</u> | <u>-</u> | <u>294,374</u> | <u>-</u> |
| Total bonds payable | <u>4,191,868</u> | <u>67,124</u> | <u>(285,000)</u> | <u>3,973,992</u> | <u>310,000</u> |
| <u>Other long-term obligations</u> | | | | | |
| Compensated absences payable | <u>454,578</u> | <u>46,842</u> | <u>(44,456)</u> | <u>456,964</u> | <u>24,212</u> |
| Total other long-term obligations | <u>454,578</u> | <u>46,842</u> | <u>(44,456)</u> | <u>456,964</u> | <u>24,212</u> |
| Total | <u>\$ 4,646,446</u> | <u>\$ 113,966</u> | <u>\$ (329,456)</u> | <u>\$ 4,430,956</u> | <u>\$ 334,212</u> |

Compensated absences will be paid from the general fund, food service fund (a nonmajor governmental fund) and Title I fund (a nonmajor governmental fund).

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

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

This issue is comprised of both current interest bonds, par value \$5,195,000, and capital appreciation bonds, par value \$94,618. The interest rates on the current interest bonds range from 4.011% to 5.20%. The capital appreciation bonds mature on December 1, 2011 (approximate initial offering yield at maturity 5.00%) and December 1, 2012 (approximate initial offering yield at maturity 5.05%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$685,000. A total of \$294,374 in accreted interest on the capital appreciation bonds has been included in the long term liabilities on the statement of net assets at June 30, 2009.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

| Fiscal Year Ending, | Current Interest Bonds | | | Capital Appreciation Bonds | | |
|------------------------|------------------------|---------------------|---------------------|----------------------------|-------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2010 | \$ 310,000 | \$ 168,368 | \$ 478,368 | \$ - | \$ - | \$ - |
| 2011 | 325,000 | 155,394 | 480,394 | - | - | - |
| 2012 | - | 147,162 | 147,162 | 50,756 | 284,244 | 335,000 |
| 2013 | - | 147,162 | 147,162 | 43,862 | 306,138 | 350,000 |
| 2014 | 345,000 | 139,055 | 484,055 | - | - | - |
| 2015 - 2019 | 810,000 | 535,720 | 1,345,720 | - | - | - |
| 2020 - 2024 | 700,000 | 376,532 | 1,076,532 | - | - | - |
| 2025 - 2029 | 900,000 | 172,900 | 1,072,900 | - | - | - |
| 2030 | 195,000 | 5,070 | 200,070 | - | - | - |
| Total | <u>\$ 3,585,000</u> | <u>\$ 1,847,363</u> | <u>\$ 5,432,363</u> | <u>\$ 94,618</u> | <u>\$ 590,382</u> | <u>\$ 685,000</u> |

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$6,086,573 (including available funds of \$819,488) and an unvoted debt margin of \$99,408.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the District contracted with Ohio School Plan (Hylant) for property insurance, fleet insurance and inland marine coverage. Coverages provided by Ohio School Plan (Hylant) are as follows:

| | |
|--|---------------|
| Property Insurance - replacement cost (\$1,000 deductible) | \$ 42,615,089 |
| Boiler & Machinery - (repair and replacement) | |
| School Board Errors and Omissions (\$2,500 deductible) | 4,000,000 |
| Employee Dishonesty Blanket (\$1,000 deductible) | 25,000 |
| Fleet Insurance | 3,000,000 |
| Comprehensive (\$1,000 deductible) | actual value |
| Collision (\$1,000 deductible) | actual value |

General liability is protected by the Ohio School Plan (Hylant), with a \$4,000,000 annual aggregate/\$2,000,000 single occurrence limit and no deductible. The bus fleet is also covered by \$3,000,000 liability plus \$1,000,000 excess liability.

Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Workers' Compensation

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Medical, Dental, and Life Insurance

The District offers a fully insured program for medical, dental and life insurance to most employees through Anthem EBS of Ohio, CoreSource and Lincoln Financial Services, respectively.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$116,280 \$112,979 and \$122,088, respectively; 50.36 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 11 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$614,186, \$573,322 and \$572,527, respectively; 83.79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$4,214 made by the District and \$8,513 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$78,253, \$76,165 and \$65,288, respectively; 50.36 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$9,594, \$8,140 and \$8,302, respectively; 50.36 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$47,245, \$44,102 and \$44,041, respectively; 83.79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

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

| Net Change in Fund Balance | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ 425,306 |
| Net adjustment for revenue accruals | 56,202 |
| Net adjustment for expenditure accruals | 42,389 |
| Net adjustment for other sources/uses | (41,129) |
| Adjustment for encumbrances | <u>127,942</u> |
| GAAP basis | <u>\$ 610,710</u> |

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 15 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

| | Textbooks/ Instructional <u>Materials</u> | Capital <u>Acquisition</u> | BWC <u>Refunds</u> |
|--|---|-------------------------------|-----------------------|
| Set-aside balance as of June 30, 2008 | \$ (231,249) | \$ - | \$ 32,798 |
| Current year set-aside requirement | 204,193 | 204,193 | - |
| Current year offsets | (89,015) | (352,861) | - |
| Qualifying disbursements | <u>(156,126)</u> | <u>(206,479)</u> | <u>-</u> |
| Total | <u>\$ (272,197)</u> | <u>\$ (355,147)</u> | <u>\$ 32,798</u> |
| Balance carried forward to FY 2010 | <u>\$ (272,197)</u> | <u>\$ -</u> | <u>\$ 32,798</u> |

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. Monies set-aside by the School Board for budget stabilization is reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2009, was \$121,033.

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

The District had qualifying disbursements and offsets in textbooks/instructional materials which resulted in a negative balance. This amount is shown as a carry forward to fiscal year 2010 as it may be used to reduce set-aside requirements in future years.

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

A schedule of the restricted assets at June 30, 2009 follows:

| | |
|---|----------------------|
| Amounts restricted for BWC refunds | \$ 32,798 |
| Amounts restricted for school bus purchases | <u>1,198</u> |
| Total restricted assets | <u>\$ 33,996</u> |

CRESTVIEW LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2009

| Federal Grantor/Program Title | Pass Through Entity Number | CFDA Number | Receipts Recognized | Program Expenditures |
|---|----------------------------------|----------------|------------------------|-------------------------|
| <u><i>U.S. Department of Agriculture</i></u> | | | | |
| Passed Through the Ohio Department of Education | | | | |
| Nutrition Cluster: | | | | |
| Cash Assistance: | | | | |
| Breakfast Program | 049429-05PU-2009 | 10.553 | \$ 18,063 | \$ 18,063 |
| National School Lunch Program | 049429-LLP4-2009 | 10.555 | 180,818 | 180,818 |
| Direct Program | | | | |
| Non-Cash Assistance: | | | | |
| National School Lunch Program (Food Distribution) | n/a | 10.555 | <u>32,041</u> | <u>32,041</u> |
| Total Nutrition Cluster | | | <u>230,922</u> | <u>230,922</u> |
| Total U.S. Department of Agriculture | | | 230,922 | 230,922 |
| <u><i>U.S. Department of Education</i></u> | | | | |
| Pass through Ohio Department of Education | | | | |
| Title I - Financial Assistance to Meet Special Education Needs of Disadvantaged Children | | | | |
| Title I - FY 08 | 049249-CISI-2008 | 84.010 | 48,496 | 48,859 |
| Title I - FY 09 | 049249-CISI-2009 | 84.010 | <u>331,829</u> | <u>325,803</u> |
| Total Title I | | | 380,325 | 374,662 |
| Title VI - B, Special Education - Assistance to States for Education of Handicapped Children | | | | |
| Title VI - B - FY 09 | 049249-6BSF-2009 | 84.027 | 227,169 | 220,568 |
| Drug - Free School Grant | | | | |
| Drug - Free School Grant - FY09 | 049249-DRSI-2009 | 84.186 | 5,994 | 5,994 |
| Innovative Education Program Strategies | | | | |
| Innovative Education Program Strategies - FY09 | 049249-C2SI-2009 | 84.298 | 859 | 859 |
| Technology Literacy Challenge Grant | | | | |
| Technology Literacy Challenge Grant - FY09 | 049429-TJSI-2009 | 84.318 | 3,355 | 3,355 |
| Title II-A | | | | |
| Title II-A FY 08 | 049429-TRSI-2008 | 84.367 | 5,814 | 8,716 |
| Title II-A FY 09 | 049429-TRSI-2009 | 84.367 | <u>80,873</u> | <u>80,666</u> |
| Total Title II-A | | | <u>86,687</u> | <u>89,382</u> |
| Total U.S. Department of Education | | | <u>704,389</u> | <u>694,820</u> |
| Total Federal Expenditures | | | <u>\$ 935,311</u> | <u>\$ 925,742</u> |

See accompanying Notes to the Schedule of Federal Awards Expenditures

CRESTVIEW LOCAL SCHOOL DISTRICT
Richland County
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2009

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2009, the District had immaterial food commodities in inventory recorded in the Food Service Fund.

3. Matching Requirements

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on this schedule.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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Cleveland, OH 44113-1306
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Crestview Local School District
Richland County
1575 St. Rt. 96
Ashland, Ohio 44805

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 Crestview Local School District, Richland County (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Charles E. Harris & Associates, Inc.

November 12, 2009

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Crestview Local School District
Richland County
1575 St. Rt. 96
Ashland, Ohio 44805

To the Board of Education:

Compliance

We have audited the compliance of the Crestview Local School District, Richland County (District), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. 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 are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

Charles E. Harris & Associates, Inc.
November 12, 2009

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY
June 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|---|---|
| (d)(1)(i) | <i>Type of Financial Statement Opinion</i> | Unqualified |
| (d)(1)(ii) | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(ii) | <i>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(iii) | <i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(iv) | <i>Were there any material internal control weaknesses reported for major federal programs?</i> | No |
| (d)(1)(iv) | <i>Were there any other significant deficiencies reported for major federal programs?</i> | No |
| (d)(1)(v) | <i>Type of Major Programs' Compliance Opinion</i> | Unqualified |
| (d)(1)(vi) | <i>Are there any reportable findings under Section .510</i> | No |
| (d)(1)(vii) | <i>Major Programs:</i> | Special Education: Title VI-B IDEA-B 84.027 Nutrition Cluster 10.555, 10.553 |
| (d)(1)(viii) | <i>Dollar Threshold: Type A\B Programs</i> | Type A: > \$300,000 Type B: all others |
| (d)(1)(ix) | <i>Low Risk Auditee?</i> | Yes |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY
June 30, 2009

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY
For the Year Ended June 30, 2009**

SCHEDULE OF PRIOR AUDIT FINDINGS

The audit report, for the year ending June 30, 2008 reported no material citations or recommendations.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Crestview Local School District
Richland County
1575 St. Rt. 96
Ashland, Ohio 44805

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on August 20, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974, "88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibiting incident that is reported;

- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administrator semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974, "88 Stat, 571 U.S.C. 1232q, as amended.

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

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

Charles E. Harris & Associates, Inc.
November 12, 2009



Mary Taylor, CPA
Auditor of State

CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 31, 2009