



Mary Taylor, CPA
Auditor of State

**CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestview Local School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestview Local School District, Columbiana County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 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 and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

November 11, 2009

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the financial performance of Crestview Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

In total, net assets increased \$356,154.

General revenues accounted for \$8,966,370, or approximately 80 percent of all revenues. Program specific revenues in the form of charges for services, operating and capital grants and contributions accounted for \$2,306,434 or 20 percent of total revenues of \$11,272,804.

The District's major funds included the General Fund, the Bond Retirement Debt Service Fund and the Permanent Improvement Capital Projects Fund. On the modified accrual basis, the General Fund had \$9,704,377 in revenues and \$9,394,363 in expenditures. The General Fund's balance increased \$310,014 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$340,097 in revenues and \$288,430 in expenditures. The Bond Retirement Debt Service Fund's balance increased \$51,667 from the previous fiscal year. The Permanent Improvement Capital Projects Fund had \$203,947 in revenues and \$253,119 in expenditures. The Permanent Improvement Capital Projects Fund's balance decreased \$49,172 from the previous fiscal year.

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

Using the Basic Financial Statements

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

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

The General Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvement Capital Projects Fund are the three major funds of the District.

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Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2008 compared to fiscal year 2007.

Table 1

	2008	2007	Increase
	Governmental	Governmental	Increase
	Activities	Activities	(Decrease)
Assets:			
Current and Other Assets	\$5,614,797	\$5,134,321	\$480,476
Capital Asset, Net of Accumulated Depreciation	12,820,351	13,119,000	(298,649)
<i>Total Assets</i>	<u>18,435,148</u>	<u>18,253,321</u>	<u>181,827</u>
Liabilities:			
Current Liabilities	3,460,661	3,322,527	138,134
Long-term Liabilities:			
Due within One Year	369,998	357,686	12,312
Due in More than One Year	2,187,065	2,511,838	(324,773)
<i>Total Liabilities</i>	<u>6,017,724</u>	<u>6,192,051</u>	<u>(174,327)</u>
Net Assets:			
Invested in Capital Assets, Net of Debt	10,816,354	10,778,000	38,354
Restricted	808,207	908,204	(99,997)
Unrestricted	792,863	375,066	417,797
<i>Total Net Assets</i>	<u>\$12,417,424</u>	<u>\$12,061,270</u>	<u>\$356,154</u>

Total assets increased by \$181,827. The increase can be attributed to an overall increase in cash and cash equivalents, resulting from slight increases income tax and other revenue collections from the previous fiscal year.

Total liabilities decreased by \$174,327. This decrease was due mostly to another payment made on the school facilities bonds and the capital lease obligation, resulting in a reduction of overall long-term obligations.

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$356,154.

Table 2 reflects the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

Table 2
Change in Net Assets
Governmental Activities

	2008	2007	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,830,010	\$1,653,691	\$176,319
Operating Grants and Contributions	468,426	519,843	(51,417)
Capital Grants and Contributions	7,998	12,616	(4,618)
<i>Total Program Revenues</i>	<u>2,306,434</u>	<u>2,186,150</u>	<u>120,284</u>
General Revenues			
Property Taxes	2,395,581	2,430,911	(35,330)
Income Tax	1,231,003	1,178,836	52,167
Intergovernmental	5,124,921	5,033,318	91,603
Investment Earnings	113,264	109,680	3,584
Miscellaneous	99,401	127,083	(27,682)
Gain on Sale of Capital Assets	2,200	0	2,200
<i>Total General Revenues</i>	<u>8,966,370</u>	<u>8,879,828</u>	<u>86,542</u>
<i>Total Revenues</i>	<u>11,272,804</u>	<u>11,065,978</u>	<u>206,826</u>
Program Expenses			
Current:			
Instruction	6,242,234	5,976,768	265,466
Support Services:			
Pupil	460,927	476,032	(15,105)
Instructional Staff	405,658	423,645	(17,987)
Board of Education	22,183	17,925	4,258
Administration	748,989	749,177	(188)
Fiscal	324,164	266,946	57,218
Business	345	345	0
Operation and Maintenance of Plant	1,124,889	1,146,251	(21,362)
Pupil Transportation	590,751	577,934	12,817
Central	19,147	21,374	(2,227)
Operation of Non-Instructional Services	1,614	2,103	(489)
Operation of Food Services	527,474	484,096	43,378
Extracurricular Activities	356,641	311,479	45,162
Interest and Fiscal Charges	91,634	76,583	15,051
<i>Total Program Expenses</i>	<u>10,916,650</u>	<u>10,530,658</u>	<u>385,992</u>
<i>Increase in Net Assets</i>	356,154	535,320	(179,166)
Net Assets Beginning of Year	12,061,270	11,525,950	535,320
<i>Net Assets End of Year</i>	<u>\$12,417,424</u>	<u>\$12,061,270</u>	<u>\$356,154</u>

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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The primary sources of revenue for governmental activities are derived from grants and entitlements and property and income taxes. These revenue sources represent approximately 78 percent of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instruction, which totaled \$6,242,234 or 57 percent of total governmental expenses. Support service expenses totaled \$3,697,053, or 34 percent of total governmental expenses for fiscal year 2008.

Governmental Activities

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

Table 3
Total and Net Cost of Program Services

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$6,242,234	\$5,153,237	\$5,976,768	\$4,948,625
Support Services:				
Pupil	460,927	338,741	476,032	352,074
Instructional Staff	405,658	327,487	423,645	353,664
Board of Education	22,183	18,856	17,925	15,466
Administration	748,989	638,331	749,177	645,926
Fiscal	324,164	277,812	266,946	232,750
Business	345	345	345	345
Operation and Maintenance of Plant	1,124,889	973,131	1,146,251	1,011,446
Pupil Transportation	590,751	504,629	577,934	496,176
Central	19,147	16,365	21,374	18,541
Operation of Non-Instructional Services	1,614	1,039	2,103	1,521
Food Service Operation	527,474	47,851	484,096	22,631
Extracurricular Activities	356,641	220,758	311,479	168,760
Interest and Fiscal Charges	91,634	91,634	76,583	76,583
<i>Total Expenditures</i>	<u>\$10,916,650</u>	<u>\$8,610,216</u>	<u>\$10,530,658</u>	<u>\$8,344,508</u>

The dependence upon property and income tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 80 percent of all District expenses are supported through income and property taxes and unrestricted grants and entitlements. Program revenues supported nearly 22 percent of total expenses, while interest and miscellaneous revenues supported nearly 2 percent. Overall, all current fiscal year expenses were covered by current fiscal year revenues, resulting in an overall increase in net assets of \$356,154.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvement Capital Projects Fund. Total governmental funds had revenues of

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
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Unaudited

\$11,209,242 and expenditures of \$10,943,588. The net overall increase in fund balance of \$265,654 for the year indicates that the District was able to meet current costs.

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 2008, the District amended its General Fund budget as needed.

The variance between final budgeted and actual revenues was not significant.

Final expenditures were budgeted at \$9,217,533 while actual expenditures were \$9,215,649. The \$1,884 difference is primarily due to a conservative "worst case scenario" approach, and is not significant. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$12,820,351 invested in capital assets (net of accumulated depreciation) for governmental activities. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007:

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

	<u>2008</u>	<u>2007</u>
Land	\$250,000	\$250,000
Land Improvements	113,729	44,857
Buildings and Improvements	11,735,893	12,132,508
Furniture, Fixtures and Equipment	430,392	422,288
Vehicles	<u>290,337</u>	<u>269,347</u>
<i>Total</i>	<u>\$12,820,351</u>	<u>\$13,119,000</u>

All capital assets, except land, are reported net of depreciation. As one can see, the School District had an overall decrease in capital assets of \$298,649. The decrease is due to the annual depreciation expense of \$501,672 only being offset by \$203,023 in capital asset additions.

For further information regarding the District's capital assets, see Note 10 to the basic financial statements.

Debt

As of June 30, 2008, the District had \$1,583,418 in school facilities improvement general obligation bonds for building improvements and a capital lease of \$524,000 outstanding. The bonds were issued for a twelve-year period, with final maturity on December 1, 2015. The bonds are being retired through the Bond Retirement Debt Service Fund. The District entered into a capitalized lease for the construction of a football stadium and track. The lease will be paid off in fiscal year 2013.

Crestview Local School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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At June 30, 2008, the District's overall legal debt margin was \$8,103,321, with an un-voted debt margin of \$101,720.

For further information regarding the District's debt, see Note 16 to the basic financial statements.

Current Issues

The District is a small rural community in Northeast Ohio. The District's 2000 population was 6,200. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is holding its own in the state of a declining economy and uncertainty in State funding. As the preceding information shows, the District relies heavily upon property taxes, school district income tax, the state foundation program and grants and entitlements. The District has been working to prevent operating fund deficits by implementing budget cuts. The District has negotiated new health insurance plans with all employees in an attempt to control increasing health insurance costs. The District has also decided to not replace staff as current staff retires when feasible.

The District is also experiencing a loss of state foundation revenues due to the increase of local assessed valuation. For fiscal year 2002, the District's state share percentage was 68.93, for fiscal year 2008 the state share percentage dropped to 62.04, a decrease of 6.89 percent. This decrease along with the uncertainty of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation and the reduction of personal property business inventory are all challenges for the District to manage in the future.

The District is also currently experiencing a declining enrollment. In order to offset the decrease, the District adopted an Open Enrollment Policy effective with the 2003 fiscal year. Currently for the 2007-2008 school year, the District has a net open enrollment population of approximately 139 students.

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

Contacting the District's Financial Management

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

Crestview Local School District

Columbiana County, Ohio

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,850,120
Cash and Cash Equivalents:	
With Fiscal Agents	573,423
Accrued Interest Receivable	6,419
Accounts Receivable	5,852
Income Taxes Receivable	657,602
Property Taxes Receivable	2,490,694
Inventory Held for Resale	4,382
Materials and Supplies Inventory	16,682
Prepaid Items	9,623
Nondepreciable Capital Assets	250,000
Depreciable Capital Assets, Net	12,570,351
<i>Total Assets</i>	<u>18,435,148</u>
Liabilities	
Accounts Payable	9,794
Accrued Wages and Benefits Payable	806,747
Intergovernmental Payable	234,350
Deferred Revenue	2,223,199
Accrued Interest Payable	2,990
Claims Payable	183,581
Long-Term Liabilities:	
Due Within One Year	369,998
Due In More Than One Year	2,187,065
<i>Total Liabilities</i>	<u>6,017,724</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	10,816,354
Restricted for:	
Capital Projects	248,606
Debt Service	346,856
Other Purposes	100,443
Set-asides	112,302
Unrestricted	792,863
<i>Total Net Assets</i>	<u>\$12,417,424</u>

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Current:					
Instruction:					
Regular	\$5,247,368	\$741,265	\$94,253	\$0	(4,411,850)
Special	825,693	98,533	131,335	0	(595,825)
Vocational	141,264	20,170	0	0	(121,094)
Other	27,909	3,441	0	0	(24,468)
Support Services:					
Pupils	460,927	97,311	24,875	0	(338,741)
Instructional Staff	405,658	66,859	11,312	0	(327,487)
Board of Education	22,183	3,327	0	0	(18,856)
Administration	748,989	105,658	5,000	0	(638,331)
Fiscal	324,164	46,352	0	0	(277,812)
Business	345	0	0	0	(345)
Operation and Maintenance of Plant	1,124,889	151,758	0	0	(973,131)
Pupil Transportation	590,751	78,124	0	7,998	(504,629)
Central	19,147	2,782	0	0	(16,365)
Operation of Non-Instructional Services	1,614	575	0	0	(1,039)
Operation of Food Services	527,474	285,602	194,021	0	(47,851)
Extracurricular Activities	356,641	128,253	7,630	0	(220,758)
Interest and Fiscal Charges	91,634	0	0	0	(91,634)
<i>Total Governmental Activities</i>	<u>\$10,916,650</u>	<u>\$1,830,010</u>	<u>\$468,426</u>	<u>\$7,998</u>	<u>(8,610,216)</u>
General Revenues					
Property Taxes Levied for:					
					1,875,488
					305,284
					177,994
					36,815
					1,231,003
					5,124,921
					113,264
					99,401
					2,200
					<u>8,966,370</u>
					356,154
					12,061,270
					<u>\$12,417,424</u>

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

Balance Sheet
Governmental Funds
June 30, 2008

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$636,778	\$420,462	\$229,422	\$229,005	\$1,515,667
Accrued Interest Receivable	5,954	0	0	465	6,419
Accounts Receivable	5,852	0	0	0	5,852
Interfund Receivable	36,915	0	0	0	36,915
Income Taxes Receivable	657,602	0	0	0	657,602
Property Taxes Receivable	1,949,618	317,606	186,093	37,377	2,490,694
Inventory Held for Resale	0	0	0	4,382	4,382
Materials and Supplies Inventory	14,657	0	0	2,025	16,682
Prepaid Items	9,623	0	0	0	9,623
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	112,302	0	0	0	112,302
Total Assets	\$3,429,301	\$738,068	\$415,515	\$273,254	\$4,856,138
Liabilities					
Accounts Payable	\$4,414	\$0	\$0	\$5,380	\$9,794
Accrued Wages	772,829	0	0	33,918	806,747
Intergovernmental Payable	215,674	0	0	18,676	234,350
Interfund Payable	0	0	0	36,915	36,915
Deferred Revenue	1,964,674	309,591	181,406	36,439	2,492,110
Total Liabilities	2,957,591	309,591	181,406	131,328	3,579,916
Fund Balances					
Reserved for Encumbrances	26,881	0	0	22,866	49,747
Reserved for Textbooks	112,302	0	0	0	112,302
Reserved for Advances	47,549	8,015	4,687	938	61,189
Unreserved:					
Undesignated, Reported in:					
General Fund	284,978	0	0	0	284,978
Special Revenue Funds	0	0	0	118,122	118,122
Debt Service Funds	0	420,462	0	0	420,462
Capital Projects Funds	0	0	229,422	0	229,422
Total Fund Balances	471,710	428,477	234,109	141,926	1,276,222
Total Liabilities and Fund Balances	\$3,429,301	\$738,068	\$415,515	\$273,254	\$4,856,138

See accompanying notes to the basic financial statements

Crestview Local School District

Columbiana County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008*

Total Governmental Fund Balances \$1,276,222

***Amounts reported for governmental activities in the
statement of net assets are different because***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 12,820,351

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Property Taxes	206,306
Income Taxes	<u>62,605</u>

Total 268,911

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 611,993

In the statement of activities, interest is accrued on outstanding general obligation bonds and leases, whereas in governmental funds, an interest expenditure is reported when due. (2,990)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(1,200,000)
Capital Appreciation Bonds	(279,997)
Accretion on Bonds	(103,421)
Capital Leases	(524,000)
Compensated Absences	<u>(449,645)</u>

Total (2,557,063)

Net Assets of Governmental Activities \$12,417,424

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,843,225	\$300,314	\$175,087	\$36,233	\$2,354,859
Income Taxes	1,231,003	0	0	0	1,231,003
Tuition and Fees	1,390,680	0	0	0	1,390,680
Interest	85,738	0	0	4,686	90,424
Charges for Services	0	0	0	285,602	285,602
Extracurricular Activities	0	0	0	153,356	153,356
Rentals	372	0	0	0	372
Contributions and Donations	0	0	0	24,043	24,043
Intergovernmental	5,058,259	39,783	28,860	450,400	5,577,302
Miscellaneous	92,900	0	0	6,501	99,401
<i>Total Revenues</i>	<u>9,702,177</u>	<u>340,097</u>	<u>203,947</u>	<u>960,821</u>	<u>11,207,042</u>
Expenditures					
Current:					
Instruction:					
Regular	4,959,636	0	4,986	100,464	5,065,086
Special	657,540	0	0	131,488	789,028
Vocational	134,198	0	0	0	134,198
Other	22,960	0	0	4,949	27,909
Support Services:					
Pupils	378,605	0	0	69,134	447,739
Instructional Staff	347,185	0	0	29,063	376,248
Board of Education	22,204	0	0	0	22,204
Administration	704,262	0	0	5,000	709,262
Fiscal	308,677	4,799	2,806	578	316,860
Operation and Maintenance of Plant	1,010,797	0	31,371	44,080	1,086,248
Pupil Transportation	518,703	0	0	0	518,703
Central	18,568	0	0	579	19,147
Operation of Non-Instructional Services	0	0	0	1,614	1,614
Operation of Food Services	0	0	0	509,214	509,214
Extracurricular Activities	204,152	0	0	111,513	315,665
Capital Outlay	106,876	0	96,147	0	203,023
Debt Service:					
Principal Retirement	0	245,000	92,000	0	337,000
Interest and Fiscal Charges	0	38,631	25,809	0	64,440
<i>Total Expenditures</i>	<u>9,394,363</u>	<u>288,430</u>	<u>253,119</u>	<u>1,007,676</u>	<u>10,943,588</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	307,814	51,667	(49,172)	(46,855)	263,454
Other Financing Sources					
Proceeds from Sale of Capital Assets	2,200	0	0	0	2,200
<i>Net Change in Fund Balances</i>	310,014	51,667	(49,172)	(46,855)	265,654
<i>Fund Balances Beginning of Year</i>	161,696	376,810	283,281	188,781	1,010,568
<i>Fund Balances End of Year</i>	<u>\$471,710</u>	<u>\$428,477</u>	<u>\$234,109</u>	<u>\$141,926</u>	<u>\$1,276,222</u>

See accompanying notes to the basic financial statements

Crestview Local School District

Columbiana County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds \$265,654

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	203,023
Current Year Depreciation	<u>(501,672)</u>

Total (298,649)

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

Property Taxes	40,722
Income Taxes	<u>0</u>

Total 40,722

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

337,000

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

Accrued Interest on Bonds	459
Accreted Interest on Bonds	<u>(27,653)</u>

Total (27,194)

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.

3,114

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

35,507

Change in Net Assets of Governmental Activities

\$356,154

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$1,915,915	\$1,876,570	\$1,876,570	\$0
Income Taxes	1,215,800	1,189,554	1,189,554	0
Tuition and Fees	1,355,125	1,382,368	1,390,588	8,220
Interest	51,500	89,941	84,575	(5,366)
Rentals	375	372	372	0
Intergovernmental	4,809,594	4,828,271	4,829,765	1,494
Miscellaneous	88,317	91,945	90,459	(1,486)
<i>Total Revenues</i>	<u>9,436,626</u>	<u>9,459,021</u>	<u>9,461,883</u>	<u>2,862</u>
Expenditures				
Current:				
Instruction:				
Regular	5,064,770	5,134,085	4,974,111	159,974
Special	461,827	468,230	449,072	19,158
Vocational	148,167	150,221	146,550	3,671
Other	14,795	15,000	22,960	(7,960)
Support Services:				
Pupils	409,284	414,956	382,075	32,881
Instructional Staff	299,117	303,263	363,698	(60,435)
Board of Education	24,043	24,375	24,276	99
Administration	730,342	740,431	704,823	35,608
Fiscal	273,435	277,163	314,573	(37,410)
Operation and Maintenance of Plant	1,057,517	1,071,799	1,011,582	60,217
Pupil Transportation	568,463	576,280	599,240	(22,960)
Central	16,768	17,000	18,568	(1,568)
Extracurricular Activities	24,391	24,730	204,121	(179,391)
<i>Total Expenditures</i>	<u>9,092,919</u>	<u>9,217,533</u>	<u>9,215,649</u>	<u>1,884</u>
<i>Excess of Revenues Over Expenditures</i>	<u>343,707</u>	<u>241,488</u>	<u>246,234</u>	<u>4,746</u>
Other Financing Sources				
Proceeds from Sale of Capital Assets	0	0	2,200	2,200
Advances In	839	19,920	839	(19,081)
<i>Total Other Financing Sources</i>	<u>839</u>	<u>19,920</u>	<u>3,039</u>	<u>(16,881)</u>
<i>Net Change in Fund Balance</i>	344,546	261,408	249,273	(12,135)
<i>Fund Balance Beginning of Year</i>	398,854	398,854	398,854	0
<i>Prior Year Encumbrances Appropriated</i>	104,040	104,040	104,040	0
<i>Fund Balance End of Year</i>	<u>\$847,440</u>	<u>\$764,302</u>	<u>\$752,167</u>	<u>(\$12,135)</u>

See accompanying notes to the basic financial statements

Crestview Local School District

Columbiana County, Ohio

Statement of Fund Net Assets

Proprietary Fund

June 30, 2008

	<u>Internal Service</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$222,151
Cash and Cash Equivalents:	
With Fiscal Agents	<u>573,423</u>
<i>Total Assets</i>	795,574
Liabilities	
Claims Payable	<u>183,581</u>
Net Assets	
Unrestricted	<u><u>\$611,993</u></u>

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2008*

	<u>Internal Service</u>
Operating Revenues	
Charges for Services	<u>\$1,120,082</u>
Operating Expenses	
Purchased Services	227,793
Claims	879,622
<i>Total Operating Expenses</i>	<u>1,107,415</u>
<i>Operating Income</i>	12,667
Non-Operating Revenues	
Interest	<u>22,840</u>
<i>Change in Net Assets</i>	35,507
<i>Net Assets Beginning of Year</i>	<u>576,486</u>
<i>Net Assets End of Year</i>	<u>\$611,993</u>

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2008

	<u>Internal Service</u>
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$1,120,082
Cash Payments for Goods and Services	(227,793)
Cash Payments for Claims	<u>(876,708)</u>
<i>Net Cash Provided by Operating Activities</i>	15,581
Cash Flows from Investing Activities	
Interest on Investments	<u>22,840</u>
<i>Net Increase in Cash and Cash Equivalents</i>	38,421
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>757,153</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$795,574</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$12,667
Adjustments:	
Increase in Claims Payable	<u>2,914</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$15,581</u></u>
See accompanying notes to the basic financial statements	

Crestview Local School District
Columbiana County, Ohio

Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$31,751</u>
Liabilities	
Undistributed Monies	<u>\$31,751</u>

See accompanying notes to the basic financial statements

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 – Description of the School District and Reporting Entity

Crestview Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Crestview Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 84 non-certified and 87 certified full-time teaching personnel who provide services to approximately 948 students and other community members.

The Reporting Entity

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

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

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Area Cooperative Computerized Educational Service System, Columbiana County Career Center, Ohio Mid-Eastern Regional Educational Services Agency, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Program. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

Bond Retirement Debt Service Fund - The Bond Retirement Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs.

Permanent Improvement Capital Projects Fund - The Permanent Improvement Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

Proprietary Funds

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

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the proprietary and fiduciary are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

E. Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting.

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

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

F. Cash and Investments

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

During fiscal year 2008, investments were limited to STAR Ohio, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds and repurchase agreements. Investments in nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

As authorized by Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$85,738, which includes \$39,544 assigned from other District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for the acquisition of textbooks and materials. See Note 18 for additional information regarding set asides.

J. Capital Assets

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

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

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

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

K. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

L. Compensated Absences

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

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$808,207, none of which is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

O. Fund Balance 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, textbook purchases and advances.

The reserve for advances represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. 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 financial statements.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for self-insurance programs.

Crestview Local School District
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Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

R. Estimates

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

Note 3 – Change in Accounting Principle and Restatement of Prior Year Net Assets

A. Change in Accounting Principle

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

B. Restatement of Prior Year Net Assets

During fiscal year 2008, the District restated its governmental long-term obligations payable to include the accretion on the outstanding capital appreciation bonds. This restatement changed ending net assets at June 30, 2007 from \$12,137,035 to \$12,061,270, or a decrease of \$75,765.

Note 4 – Fund Deficits

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Food Service	\$73,920
Improving Teacher Quality	6,671

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

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Notes to the Basic Financial Statements
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Note 5 – Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$310,014
Net Adjustment for Revenue Accruals	(240,294)
Advances In	839
Net Adjustment for Expenditure Accruals	210,009
Adjustment for Encumbrances	<u>(31,295)</u>
Budget Basis	<u><u>\$249,273</u></u>

Note 6 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

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

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

At June 30, 2008, the District's internal service fund had a balance of \$573,423 with OME-RESA, a claims servicing pool (See Note 12). The balance is held by the claims administrator in a pooled account, which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

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Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$555,331 of the District's bank balance of \$1,164,536 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2008, the District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreements	\$134,342	Six Months or Less
STAROhio	2,603	Six Months or Less
Federal Home Loan Bank Bonds	100,000	More than Three Years
Federal National Mortgage Association Bonds	600,000	More than Three Years
Total Investments	<u>\$836,945</u>	

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

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

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

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For the Fiscal Year Ended June 30, 2008

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2008:

<u>Investment</u>	<u>Percentage of Investment</u>
Federal National Mortgage Corporation Bonds	71.69%
Repurchase Agreements	16.05%
Federal Home Loan Bank Bonds	11.95%
STAR Ohio	0.31%
Total	<u>100.00%</u>

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes for 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 real and tangible personal property taxes for 2008 were levied after April 1, 2007, on the assessed values as of December 31, 2006, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes for 2008 were levied after April 1, 2007, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value. 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.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Notes to the Basic Financial Statements
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Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2008 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2008 was \$47,549 in the general fund, \$8,015 in the bond retirement debt service fund, \$4,687 in the permanent improvement capital projects fund, and \$938 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2007 was \$80,894 in the general fund, \$12,118 in the bond retirement debt service fund, \$7,087 in the permanent improvement capital projects fund, and \$1,558 in the classroom facilities maintenance special revenue fund.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second		2008 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$85,297,380	88.55 %	\$93,144,450	91.57 %
Public Utility Personal	6,231,180	6.47	5,538,020	5.44
Tangible Personal Property	4,800,740	4.98	3,037,980	2.99
Total	<u>\$96,329,300</u>	<u>100.00 %</u>	<u>\$101,720,450</u>	<u>100.00 %</u>
 Tax rate per \$1,000 of assessed valuation	 \$36.62		 \$36.62	

Note 8 – School District Income Tax

The voters of the District passed a 1 percent permanent school district income tax in the November 1989 election that became effective January 1, 1990. School district income tax revenue received by the General Fund during fiscal year 2008 was \$1,231,003 on a modified accrual basis.

Note 9 - Receivables

Receivables at June 30, 2008, consisted of property, income taxes, accounts (rent and student fees), and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

Property Taxes Receivable	\$2,490,694
Income Taxes Receivable	657,602
Accrued Interest Receivable	6,419
Accounts Receivable	<u>5,852</u>
Total	<u><u>\$3,160,567</u></u>

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$250,000	\$0	\$0	\$250,000
Capital Assets, being depreciated:				
Land Improvements	49,790	71,452	0	121,242
Buildings and Building Improvements	16,913,478	9,570	0	16,923,048
Furniture, Fixtures and Equipment	697,320	42,903	(5,687)	734,536
Vehicles	853,520	79,098	(46,346)	886,272
Total Capital Assets, being depreciated:	18,514,108	203,023	(52,033)	18,665,098
Less Accumulated Depreciation:				
Land Improvements	(4,933)	(2,580)	0	(7,513)
Buildings and Building Improvements	(4,780,970)	(406,185)	0	(5,187,155)
Furniture, Fixtures and Equipment	(275,032)	(34,799)	5,687	(304,144)
Vehicles	(584,173)	(58,108)	46,346	(595,935)
Total Accumulated Depreciation	(5,645,108)	(501,672)	52,033	(6,094,747)
Total Capital Assets being depreciated, net	12,869,000	(298,649)	0	12,570,351
Governmental Activities Capital Assets, Net	\$13,119,000	(\$298,649)	\$0	\$12,820,351

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$203,197
Special	36,691
Vocational	6,884
Support Services:	
Pupil	10,960
Instructional Staff	30,020
Administration	40,161
Fiscal	6,904
Business	345
Operation and Maintenance of Plant	37,598
Pupil Transportation	69,989
Operation of Food Services	17,579
Extracurricular Activities	41,344
Total Depreciation Expense	\$501,672

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 11 – Interfund Activity

A. Interfund Transfers

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Transfers are also used to close out the funds that are no longer required. The School District did not make any interfund transfers during fiscal year 2008.

B. Interfund Receivable/Payable

At June 30, 2008, interfund receivables/payables consisted of a \$36,915 GAAP advance made to the food service fund from the general fund to cover a negative cash balance. The only other advance made during the fiscal year was for the repayment of a prior year advance from the general fund to the other grants special revenue fund for \$839.

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

Note 12 – 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 2008, the District has contracted with the following insurance companies to provide coverage in the following amounts:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Indiana Insurance		
General Liability:		
Each Occurrence	\$1,000,000	\$0
Aggregate	2,000,000	0
Umbrella Liability:		
Each Occurrence	1,000,000	0
Aggregate	3,000,000	0
Indiana Insurance		
Fleet:		
Comprehensive	2,000,000	500
Collision	2,000,000	500
Indiana Insurance		
Building and Contents	22,245,172	1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2008.

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B. Health and Dental Insurance

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

Self Funded Plans, Inc., a third party administrator, services all health/medical claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$50,000 per employee consortium wide.

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$183,581, reported in the fund at year end was estimated by the third party administrator and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

Claims in the fund's claims liability during fiscal years 2007 and 2008 were:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2007	\$134,793	799,616	753,742	\$180,667
2008	180,667	879,622	876,708	183,581

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

C. OASBO Group Rating Program

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

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

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

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

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Notes to the Basic Financial Statements
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Note 13 – Defined Benefit Pension Plans

A. School Employees Retirement System

The School 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 contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$102,166, \$112,447, and \$175,273, respectively; 51.1 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the State or any political subdivision thereof.

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

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

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specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

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

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

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

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

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

A Defined Benefit or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10 percent of covered payroll for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$573,075, \$565,128, and \$644,540, respectively; 83.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$38 made by the School District and \$3,570 made by the plan members.

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2007 *Comprehensive Annual Financial Report* were available after December 26, 2007.

Additional information or copies of STRS Ohio's 2007 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, four board members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 – Postemployment Benefits

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2008, employer contributions to fund health care benefits were 4.84 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2008, the minimum pay was established as \$35,800. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled \$61,997.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay as you go basis. Net health care costs for the year ending June 30, 2007 (the latest information available), were \$158,651,207. The number of participants eligible to receive benefits was 59,492. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. At June 30, 2007 the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs.

B. State Teachers Retirement System of Ohio

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. For the fiscal year ended June 30, 2008, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$44,083 for fiscal year 2008.

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007 (the latest information available) the board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$4.1 billion on June 30, 2007.

For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000. There were 122,934 eligible benefit recipients.

Note 15 – Compensated Absences

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

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

Note 16 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts due in One Year
General Obligation Bonds:					
<i>2003 School Facilities Refunding Bonds</i>					
Current Interest Serial Bonds - 3.43%	\$1,445,000	\$0	\$245,000	\$1,200,000	\$250,000
Capital Appreciation Bonds - 7.73%	279,997	0	0	279,997	0
Accretion on Capital Appreciation Bonds	75,768	27,653	0	103,421	0
Total General Obligation Bonds	1,800,765	27,653	245,000	1,583,418	250,000
Other Long-Term Obligations:					
Capital Lease Obligation	616,000	0	92,000	524,000	96,000
Compensated Absences	452,759	17,572	20,686	449,645	23,998
Total Governmental Long-Term Obligations	\$2,869,524	\$45,225	\$357,686	\$2,557,063	\$369,998

Crestview Local School District
Columbiana County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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

The refunding issue is comprised of both current interest bonds, par value \$2,200,000, and capital appreciation bonds, par value \$279,997. The interest rates on the current interest bonds range from 1.50 percent to 3.50 percent. The capital appreciation bonds mature on December 1, 2015 at a redemption price equal to 100 percent of the principal plus accreted interest to the redemption date. The present value (as of the issue date) reported on the statement of net assets at June 30, 2008 is \$279,997. Total accreted interest of \$103,421 has been included on the statement of net assets.

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

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

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

The School District's overall legal debt margin was \$8,103,321 with an unvoted debt margin of \$101,720 at June 30, 2008. Principal requirements to retire general obligation debt outstanding at June 30, 2008, are as follows:

Fiscal Year Ended	Current Interest Bonds, Series 2003			Capital Appreciation Bonds, Series 2003		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$250,000	\$32,750	\$282,750	\$0	\$0	\$0
2010	245,000	26,256	271,256	0	0	0
2011	240,000	19,287	259,287	0	0	0
2012	235,000	11,869	246,869	0	0	0
2013	230,000	4,025	234,025	0		
2014-2016	0	0	0	279,997	365,003	645,000
Total	<u>\$1,200,000</u>	<u>\$94,187</u>	<u>\$1,294,187</u>	<u>\$279,997</u>	<u>\$365,003</u>	<u>\$645,000</u>

Note 17 - Capitalized Leases

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

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The assets acquired through capital leases are as follows:

<i>Assets:</i>	Governmental Activities
Football Stadium and Track	\$956,000
Less: Accumulated Depreciation	(334,600)
Total Book Value as of June 30, 2008	\$621,400

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

Fiscal Year Ending June 30,	
2009	\$117,923
2010	117,679
2011	117,055
2012	117,017
2013	117,720
Total Minimum Lease Payments	587,394
Less: Amount Representing Interest	(63,394)
Present Value of Minimum Lease	\$524,000

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

Note 18 - Set-Aside Calculations and Fund Reserves

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

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

	Capital	
	Textbooks	Improvements
Set-Aside Reserve Balance as of June 30, 2007	\$135,104	\$0
Current Year Set-Aside Requirement	179,109	179,109
Qualifying Disbursements	(201,911)	0
Current year offsets	0	(249,218)
Total	\$112,302	(\$70,109)
Set-Aside Balance Carried Forward to		
Future Fiscal Years	\$112,302	\$0
Cash balance as of June 30, 2008	\$112,302	\$0

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the two set-asides at the end of the fiscal year was \$112,302.

Note 19 – Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System

Area Cooperative Computerized Educational Service System (ACCESS), a not-for-profit computer service, is jointly governed by 24 districts within Mahoning and Columbiana counties. ACCESS is governed by an assembly consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the assembly. Members of ACCESS are assessed annual user fees and periodic capital improvement fees based on their average daily membership. The members do have an ongoing financial interest in ACCESS; however, they do not have an equity interest. Financial information can be obtained from the Treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 100, Youngstown, Ohio 44512-7019.

B. Columbiana County Career Center

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

Note 20 – Group Purchasing Pools

A. Ohio Mid-Eastern Regional Educational Services Agency

The District is a participant with several other school districts in an insurance purchasing pool to operate the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA). OME-RESA was formed for the purpose of providing insurance. OME-RESA is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board.

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

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

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

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 21 - Contingencies

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

B. Litigation

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

C. Termination Hearing

The District is currently in the termination process with a tenured teacher in the District. Hearings are scheduled for the week of November 10th, 2008 and the Board anticipates that the dispute will continue until court resolution. The impact the result of this hearing will have on the District's financial statements, if any, is not currently known.

Note 22 – New Accounting Standards

In August of 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions", which addresses how state and local governments should account for and report their costs and obligations related to postemployment health care and other non-pension benefits, or OPEB. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Statement No. 45 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In November 2006, the GASB issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." This Statement is to establish accounting and financial reporting standards for pollution remediation obligations. Statement No. 49 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In June of 2007, the GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This Statement requires that all intangible assets, which include easements, water rights, timber rights, patents, trademarks, and computer software, be classified as capital assets. Statement No. 51 will not be effective for the District until fiscal year 2010 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In March of 2007, the GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments." This Statement establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. Endowments include permanent and term endowments, and permanent funds. This Statement does not apply to lands granted by the Federal government in connection with a state being admitted to the United States. It also does not apply to quasi-endowments. This Statement applies to all state and local governments. Statement No. 52 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

Crestview Local School District
Columbiana County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

In November of 2007, the GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement establishes accounting and financial reporting standards for all state and local governments that enter into derivative instruments as defined in this Statement. Statement No. 53 will not be effective for the District until fiscal year 2011 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crestview Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 11, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Government's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note a certain noncompliance that we reported to the District's management in a separate letter dated November 11, 2009.

We intend this report solely for the information and use of the audit committee, management, board of education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 11, 2009



Mary Taylor, CPA
Auditor of State

CRESTVIEW LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 9, 2010