



**Auditor of State
Betty Montgomery**

**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Crestwood Local School District, Portage County, (the District) as of and for the year ended June 30, 2002, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Crestwood Local School District, Portage County, as of June 30, 2002, and the respective changes in financial position, 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.

As described in Note 3, during the year ended June 30, 2002, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

February 7, 2003

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

This discussion and analysis of Crestwood Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Since this is the first year of financial presentation under Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", some analyses with prior year data is not available. Future Management Discussion and Analyses will be comparative.

Financial Highlights

Key financial highlights for 2002 are as follows:

- Net assets of governmental activities increased \$2,102,189, representing a 24 percent increase from 2001.
- General revenues accounted for \$18,349,434 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$3,723,790 or 17 percent of total revenues of \$22,073,224.
- Total assets of governmental activities increased by \$2,308,937. The largest portion of this increase was \$1,267,382 for the purchase of land and construction in progress. Cash, taxes receivable, and prepaid items have also increased slightly.
- The School District had \$19,971,035 in expenses related to governmental activities; only \$3,723,790 of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues of \$18,349,434 were adequate to provide for these programs.
- Capital outlay additions of \$1,327,104 consisted primarily of \$657,152 in purchased land for two new elementary buildings and construction in progress of \$610,230 on those buildings in 2002. The purchase of the land was financed by the use of general fund budget set aside money and proceeds from a bond issue which was approved by the voters in November 2000.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2002?" The statement of net assets and the statement of activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2002 compared to 2001:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2002</u>	<u>2001</u>
Assets		
<i>Current and other assets</i>	\$ 23,487,155	\$ 22,247,136
<i>Capital assets, net of depreciation</i>	<u>7,165,018</u>	<u>6,096,100</u>
<i>Total assets</i>	<u>30,652,173</u>	<u>28,343,236</u>
Liabilities		
<i>Long-term liabilities</i>	9,223,997	9,772,580
<i>Other liabilities</i>	<u>10,658,961</u>	<u>9,903,630</u>
<i>Total liabilities</i>	<u>19,882,958</u>	<u>19,676,210</u>
Net Assets		
<i>Invested in capital assets, net of debt</i>	6,447,704	5,680,911
<i>Restricted</i>	2,982,272	1,637,626
<i>Unrestricted</i>	<u>1,339,539</u>	<u>1,348,489</u>
<i>Total net assets</i>	<u>\$ 10,769,515</u>	<u>\$ 8,667,026</u>

One of the most significant causes to the increase in the School District's assets was a \$1,305,535 increase in total cash and investments reported in governmental activities. The second cause was net increase in capital assets of \$1,068,918. A majority of this increase was for the acquisition of land and the start of the construction of two new elementary buildings under a contract with the Ohio School Facilities Commission.

Table 2 shows net assets for fiscal year 2002. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2001 are not available. In future years a comparative analysis of government-wide data will be presented.

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Table 2
Changes in Net Assets

		<u>Governmental Activities</u>
Revenues		
<i>Program revenues</i>		
<i>Charges for services</i>	\$	1,446,022
<i>Operating grants, contributions and interest</i>		1,118,676
<i>Capital grants and contributions</i>		1,159,092
<i>General revenues</i>		
<i>Property taxes</i>		6,598,411
<i>Grants and entitlements</i>		11,570,886
<i>Contributions to permanent fund</i>		50
<i>Investment earnings</i>		44,805
<i>Miscellaneous</i>		135,282
<i>Total revenues</i>		<u>22,073,224</u>
 Program Expenses		
<i>Instruction</i>		
<i>Regular</i>		7,917,376
<i>Special</i>		2,061,988
<i>Vocational</i>		257,433
<i>Adult/continuing</i>		3,502
<i>Other</i>		539,810
<i>Support services</i>		
<i>Pupils</i>		920,865
<i>Instructional staff</i>		1,098,419
<i>Board of education</i>		7,329
<i>Administration</i>		1,850,081
<i>Fiscal</i>		397,823
<i>Business</i>		21,546
<i>Operation and maintenance of plant</i>		1,717,668
<i>Pupil transportation</i>		1,486,204
<i>Central</i>		63,994
<i>Operation non-instructional services</i>		101,967
<i>Extracurricular activities</i>		474,432
<i>Food service operations</i>		660,518
<i>Interest and fiscal charges</i>		351,778
<i>Loss on disposal of capital assets</i>		38,302
<i>Total expenses</i>		<u>19,971,035</u>
<i>Increase in net assets</i>	\$	<u>2,102,189</u>

Crestwood Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
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Governmental Activities

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

Several revenue sources fund our governmental activities with property tax and State foundation revenues being the largest contributors. Property tax levies generated nearly \$6.6 million in 2002. General revenues from grants and entitlements, such as the school foundation program, generated nearly \$11.6 million. With the combination of taxes and intergovernmental funding over 82 percent of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

The DeRolph III decision has not eliminated the dependence on property taxes. The community has supported the Crestwood Local School District by renewing the aforementioned levies comprising 30 percent of total tax revenues for the School District.

Instruction and interest and fiscal charges comprise 54 percent and 2 percent, respectively, of governmental program expenses. Interest expense was attributable to the outstanding bond and prior borrowing for capital projects.

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

Crestwood Local School District
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Table 3
Governmental Activities

	<i>Total Cost of Services</i> <u>2002</u>	<i>Net Cost of Services</i> <u>2002</u>
<i>Program Expenses</i>		
<i>Instruction</i>		
<i>Regular</i>	\$ 7,917,376	\$ (7,573,836)
<i>Special</i>	2,061,988	(993,493)
<i>Vocational</i>	257,433	(249,606)
<i>Adult/continuing</i>	3,502	4,090
<i>Other</i>	539,810	(539,810)
<i>Support services</i>		
<i>Pupils</i>	920,865	(833,852)
<i>Instructional staff</i>	1,098,419	(1,034,889)
<i>Board of education</i>	7,329	(7,329)
<i>Administration</i>	1,850,081	(1,843,081)
<i>Fiscal</i>	397,823	(397,823)
<i>Business</i>	21,546	(21,546)
<i>Operation and maintenance of plant</i>	1,717,668	(556,326)
<i>Pupil transportation</i>	1,486,204	(1,429,557)
<i>Central</i>	63,994	(53,910)
<i>Operation non-instructional services</i>	101,967	10,104
<i>Extracurricular activities</i>	474,432	(368,141)
<i>Food service operations</i>	660,518	20,059
<i>Interest and fiscal charges</i>	351,778	(339,997)
<i>Loss on disposal of capital assets</i>	38,302	(38,302)
<i>Total expenses</i>	\$ 19,971,035	\$ (16,247,245)

The School District's Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$22,744,575 and total expenditures were \$21,298,391. The School District continues to be financially stable. The net change in fund balance for the year was significant in the Classroom Facilities capital projects fund, which had an increase of \$579,820. This increase was related to the building project that was started in 2002.

General Fund Budgeting Highlights

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

Crestwood Local School District
Management's Discussion and Analysis
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During fiscal year 2002, the School District amended its general fund budget numerous times, however none were significant. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue estimate was \$18,555,569, which was higher than the original budget estimate of \$17,110,398. Most of this \$1,445,171 difference was due to conservative estimates and a change from the prior year in the collection of tuition for non-resident students in the State Foundation program. Crestwood Local Schools has a large population of non-resident special education students compared to most districts.

The original expenditures estimate of \$18,071,434 was revised slightly over the fiscal year. Actual expenditures, however, were only \$17,931,838, \$135,596 less than originally anticipated. A large increase from the original to final budget was posted to the regular instruction line of the budget. Even though the District was aware of unexpected revenues, there was no intention of spending these additional revenues in any specific area.

The School District's ending unobligated budgetary balance was \$1.477 million above the final budgeted amount primarily due to the change in tuition collection for non-resident students mentioned previously.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2002, the School District had \$7,165,018 invested in land, buildings, equipment, vehicles and construction in progress. Table 4 shows fiscal year 2002 balances compared to fiscal year 2001:

Table 4
Capital Assets at June 30, 2002
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2002</u>	<u>2001</u>
<i>Land and improvements</i>	\$ 1,759,106	\$ 1,089,654
<i>Buildings</i>	2,439,866	2,531,050
<i>Furniture and equipment</i>	1,043,447	1,145,584
<i>Vehicles</i>	1,228,242	1,245,685
<i>Construction in progress</i>	694,357	84,127
<i>Total capital assets</i>	<u>\$ 7,165,018</u>	<u>\$ 6,096,100</u>

The primary increase occurred in construction in progress and for the purchase of land on which to build the two elementary schools. In 2002 the School District used the general fund's full balance of the accumulated budget stabilization (reserved and designated), in the amount of \$234,138, to assist in the purchase of the land. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Crestwood Local School District
Management's Discussion and Analysis
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Unaudited

Debt

At June 30, 2002 the School District had \$8,514,000 in bonds outstanding with \$270,000 due within one year. Table 5 summarizes the bonds and notes outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	<i>Governmental</i> <i>Activities</i> <u>2002</u>	<i>Governmental</i> <i>Activities</i> <u>2001</u>
<i>1992 Energy Conservation Notes</i>	\$ -	\$ 125,000
<i>1995 Energy Conservation Notes</i>	-	22,000
<i>2001 School Improvement Bonds</i>	8,309,000	8,474,000
<i>2001 Site Acquisition Bonds</i>	205,000	210,000
<i>EPA Asbestos Removal Loan</i>	75,914	82,815
<i>Capital Leases</i>	122,707	101,247
<i>Total outstanding debt</i>	<u>\$ 8,712,621</u>	<u>\$ 9,015,062</u>

The energy conservation notes, issued in 1992 and 1995, matured in 2002. The EPA Asbestos removal loan and the capital leases are to be repaid from the general fund and the School District has budgeted to meet these requirements.

At June 30, 2002, the School District's overall legal debt margin was \$13,098,924 with an unvoted debt margin of \$240,144. The School District is not currently rated by Standard & Poor's or Moody's Investors Service. In April 2001, a rating of Aaa was assigned by Moody's Investors Service as a result of the purchase of an insurance policy provided by Financial Guaranty Insurance Company. See Note 15 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

The end of fiscal year 2002 marked the expiration of the classified employees' last three-year contract. A new three-year labor agreement was ratified on June 17, 2002 with an economic package for the first year providing a \$.45 per hour increase. Wage re-openers will be addressed for 2004 and 2005.

The teachers' agreement would have expired relative to wages in fiscal 2003. In anticipation, wages for fiscal 2003 were negotiated and settled with the teachers for a 2.5 percent annual increase for the final year of their three-year contract. This wage increase was also ratified on June 17, 2002. The School District and the teachers will negotiate the entire agreement for fiscal year 2004 and beyond.

The district had a significant contractual commitment in the amount of \$634,764 to the architectural firm designing the two new elementary buildings. This obligation is fully funded by bond proceeds. See Note 20 to the basic financial statements for detail on all of the School District's contractual commitments.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school

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funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

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

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

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

Contacting the School District's Financial Management

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

Crestwood Local School District

Statement of Net Assets

June 30, 2002

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 4,226,431
Cash and cash equivalents:	
In segregated accounts	8,887,275
With fiscal agents	128,969
Investment in segregated accounts	26,940
Receivables:	
Taxes	8,418,877
Accounts	1,027
Intergovernmental	1,635,146
Accrued interest	298
Due from agency fund	27,900
Prepaid items	97,299
Inventory held for resale	31,313
Materials and supplies inventory	5,680
Capital assets:	
Land and construction in progress	2,441,163
Depreciable capital assets, net	4,723,855
Total capital assets	7,165,018
Total assets	30,652,173
<u>Liabilities:</u>	
Accounts payable	115,286
Accrued wages	1,457,876
Intergovernmental payable	527,210
Deferred revenue	8,073,216
Accrued interest payable	19,626
Notes payable	125,000
Long-term liabilities:	
Due within one year	340,747
Due in more than one year	9,223,997
Total liabilities	19,882,958
<u>Net assets:</u>	
Invested in capital assets, net of related debt	6,447,404
Restricted for:	
Capital projects	1,972,913
Debt service	465,193
Set asides	79,693
Permanent fund purpose - scholarships	
Expendable	4,367
Nonexpendable	24,640
Other purposes	435,466
Unrestricted	1,339,539
Total net assets	\$ 10,769,215

See accompanying notes to the basic financial statements.

Crestwood Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2002

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 7,917,376	\$ 121,497	\$ 222,043	\$ -	\$ (7,573,836)
Special	2,061,988	770,347	298,148	-	(993,493)
Vocational	257,433	7,827	-	-	(249,606)
Adult/continuing	3,502	-	7,592	-	4,090
Other	539,810	-	-	-	(539,810)
Support services:					
Pupils	920,865	-	87,013	-	(833,852)
Instructional staff	1,098,419	-	63,530	-	(1,034,889)
Board of education	7,329	-	-	-	(7,329)
Administration	1,850,081	-	7,000	-	(1,843,081)
Fiscal	397,823	-	-	-	(397,823)
Business	21,546	-	-	-	(21,546)
Operation and maintenance of plant	1,717,668	2,250	-	1,159,092	(556,326)
Pupil transportation	1,486,204	-	56,647	-	(1,429,557)
Central	63,994	-	10,084	-	(53,910)
Operation of non-instructional					
Services	101,967	-	112,071	-	10,104
Extracurricular activities	474,432	106,291	-	-	(368,141)
Food service operations	660,518	437,810	242,767	-	20,059
Interest and fiscal charges	351,778	-	11,781	-	(339,997)
Loss on disposal of capital assets	38,302	-	-	-	(38,302)
Total governmental activities	\$ 19,971,035	\$ 1,446,022	\$ 1,118,676	\$ 1,159,092	(16,247,245)

General Revenues:

Property taxes levied for:

General purposes	5,568,891
Debt service	765,703
Capital outlay	263,817
Grants and entitlements not restricted to specific programs	11,570,886
Contribution to permanent fund	50
Investment earnings	44,805
Miscellaneous	135,282
Total general revenues	18,349,434
Change in net assets	2,102,189
Net assets beginning of year - (See Note 3)	8,667,026
Net assets end of year	\$ 10,769,215

See accompanying notes to the basic financial statements.

Crestwood Local School District
Balance Sheet
Governmental Funds
June 30, 2002

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 2,077,260	\$ 733,147	\$ 1,336,331	\$ 4,146,738
Cash and cash equivalents:				
In segregated accounts	-	8,887,275	-	8,887,275
With fiscal agents	-	-	128,969	128,969
Investments in segregated accounts	-	-	26,940	26,940
Receivables:				
Taxes	7,018,095	-	1,400,782	8,418,877
Accounts	1,027	-	-	1,027
Intergovernmental	1,480,994	-	154,152	1,635,146
Interfund	177,898	-	-	177,898
Accrued interest	-	-	298	298
Inventory held for resale	-	-	31,313	31,313
Materials and supplies inventory	2,238	-	3,442	5,680
Prepaid items	97,299	-	-	97,299
Equity in pooled cash and cash equivalents (restricted)	79,693	-	-	79,693
Total assets	\$ 10,934,504	\$ 9,620,422	\$ 3,082,227	\$ 23,637,153
<u>Liabilities:</u>				
Accounts payable	\$ 35,455	\$ 442	\$ 79,389	\$ 115,286
Accrued wages	1,380,955	-	76,921	1,457,876
Interfund payable	-	-	149,998	149,998
Intergovernmental payable	362,672	-	14,411	377,083
Accrued interest payable	-	-	3,969	3,969
Deferred revenue	7,994,572	-	1,447,252	9,441,824
Energy conservation loan payable	-	-	125,000	125,000
Total liabilities	9,773,654	442	1,896,940	11,671,036
<u>Fund balances:</u>				
Reserved for encumbrances	218,295	652,388	56,620	927,303
Reserved for prepaids	97,299	-	-	97,299
Reserved for textbooks and instructional materials	79,693	-	-	79,693
Reserved for endowment	-	-	24,640	24,640
Unreserved, undesignated, reported in:				
General fund	765,563	-	-	765,563
Special revenue funds	-	-	342,701	342,701
Debt service fund	-	-	458,354	458,354
Capital projects funds	-	8,967,592	298,605	9,266,197
Permanent fund	-	-	4,367	4,367
Total fund balances	1,160,850	9,619,980	1,185,287	11,966,117
Total liabilities and fund balances	\$ 10,934,504	\$ 9,620,422	\$ 3,082,227	\$ 23,637,153

See accompanying notes to the basic financial statements.

Crestwood Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 For the Fiscal Year Ended June 30, 2002

Total governmental funds balances		\$	11,966,117
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.			7,165,018
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Property taxes	\$	230,534	
Grants		233,660	
Charges for services		903,387	
Accounts		<u>1,027</u>	
Total			1,368,608
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and is therefore not reported in the funds.			(150,127)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds	\$	(8,514,000)	
Asbestos removal loan		(75,914)	
Capital leases		(122,707)	
Compensated absences		(852,123)	
Accrued interest payable		<u>(15,657)</u>	
Total			<u>(9,580,401)</u>
Net assets of governmental activities		\$	<u>10,769,215</u>

Crestwood Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2002

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Taxes	\$ 5,388,219	\$ -	\$ 1,120,928	\$ 6,509,147
Intergovernmental	11,385,238	887,028	1,156,128	13,428,394
Interest	44,805	272,064	1,590	318,459
Tuition and fees	1,754,804	-	-	1,754,804
Extracurricular activities	-	-	109,247	109,247
Gifts and donations	35,025	-	11,831	46,856
Charges for services	7,827	-	498,146	505,973
Rent	2,850	-	-	2,850
Miscellaneous	9,852	-	58,993	68,845
Total revenues	<u>18,628,620</u>	<u>1,159,092</u>	<u>2,956,863</u>	<u>22,744,575</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,434,188	-	271,497	7,705,685
Special	1,775,448	-	265,638	2,041,086
Vocational	264,362	-	-	264,362
Adult/continuing	-	-	3,502	3,502
Other	539,810	-	-	539,810
Support services:				
Pupils	804,451	-	96,734	901,185
Instructional staff	952,558	-	85,258	1,037,816
Board of education	7,329	-	-	7,329
Administration	1,875,494	-	10,195	1,885,689
Fiscal	364,581	-	19,841	384,422
Business	21,546	-	-	21,546
Operation and maintenance of plant	1,641,913	-	4,433	1,646,346
Pupil transportation	1,432,850	-	-	1,432,850
Central	51,020	-	12,974	63,994
Operation of non-instructional services	406	-	100,714	101,120
Operation of food services	-	-	644,194	644,194
Extracurricular activities	296,667	-	173,422	470,089
Capital outlay	234,138	603,410	489,556	1,327,104
Debt service:				
Principal retirement	32,625	-	323,901	356,526
Interest and fiscal charges	7,065	-	456,671	463,736
Total expenditures	<u>17,736,451</u>	<u>603,410</u>	<u>2,958,530</u>	<u>21,298,391</u>
Excess of revenues over (under) expenditures	<u>892,169</u>	<u>555,682</u>	<u>(1,667)</u>	<u>1,446,184</u>
<u>Other financing sources (uses):</u>				
Proceeds from sale of fixed assets	1,062	-	-	1,062
Inception of capital lease	87,709	-	-	87,709
Transfers in	-	234,138	227,617	461,755
Transfers out	(245,039)	(210,000)	(6,716)	(461,755)
Total other financing sources (uses)	<u>(156,268)</u>	<u>24,138</u>	<u>220,901</u>	<u>88,771</u>
Net change in fund balances	735,901	579,820	219,234	1,534,955
Fund balances beginning of year - restated (See Note 3)	424,949	9,040,160	966,053	10,431,162
Fund balances end of year	<u>\$ 1,160,850</u>	<u>\$ 9,619,980</u>	<u>\$ 1,185,287</u>	<u>\$ 11,966,117</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2002

Net change in fund balances - total governmental funds	\$	1,534,955
<p>Amounts reported for governmental activities in the statement of activities are different because</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital asset additions	\$	1,583,975
Depreciation expense		<u>(442,069)</u>
Excess of capital outlay over depreciation expense		1,141,906
<p>The proceeds from the sale of capital assets are reported as a source of financing in the governmental funds. However, the cost of the capital assets sold is removed from the capital assets account in the statement of net assets and offset against the sales proceeds resulting in a "loss on the disposal of capital assets" in the statement of activities. Thus, more revenue is reported in the governmental funds and more expenses in the statement of activities.</p>		
		(23,961)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: These activities consist of:</p>		
Property taxes	\$	89,264
Grants		164,610
Charges for services		(926,252)
Miscellaneous		<u>1,027</u>
Net change in deferred revenues during the year		(671,351)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		390,150
<p>Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statements of net assets, the lease obligation is reported as a liability. The following activities are the results of capital lease transactions:</p>		
Inception of a capital lease	\$	(87,709)
Loss on trade-in of capital leases		(15,403)
Long-term liability balance of capital leases traded-in		<u>(33,624)</u>
Net change caused by capitalized lease transactions		(136,736)
<p>Some items reported in the statement of activities do not require the use of currently financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p>		
Increase in compensated absences	\$	(94,605)
Increase in pension obligation		(150,127)
Decrease in accrued interest		<u>111,958</u>
Total additional expenditures		<u>(132,774)</u>
Change in net assets of governmental activities	\$	<u><u>2,102,189</u></u>

Crestwood Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<u>Revenues:</u>				
Taxes	\$ 5,897,876	\$ 5,636,833	\$ 5,565,570	\$ (71,263)
Intergovernmental	9,867,348	11,382,948	11,382,948	-
Interest	38,839	44,805	44,805	-
Tuition and fees	1,229,357	1,418,183	1,343,306	(74,877)
Gifts and donations	30,362	35,025	35,025	-
Charges for services	6,785	7,827	7,827	-
Rent	2,471	2,850	2,850	-
Miscellaneous	37,360	27,098	27,098	-
Total revenues	<u>17,110,398</u>	<u>18,555,569</u>	<u>18,409,429</u>	<u>(146,140)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,431,425	8,736,836	7,473,228	1,263,608
Special	1,652,852	1,759,292	1,748,461	10,831
Vocational	294,581	268,909	268,909	-
Other	311,923	544,207	544,207	-
Support services:				
Pupils	867,778	933,117	825,116	108,001
Instructional staff	917,626	973,220	973,218	2
Board of education	7,280	7,329	7,329	-
Administration	2,075,499	1,886,523	1,886,517	6
Fiscal	367,043	366,391	366,391	-
Business	19,646	21,546	21,546	-
Operation and maintenance of plant	1,785,051	1,867,441	1,716,256	151,185
Pupil transportation	1,782,117	1,608,071	1,517,894	90,177
Central	55,748	52,315	52,315	-
Extracurricular activities	268,765	296,313	296,313	-
Capital outlay	234,100	234,138	234,138	-
Total expenditures	<u>18,071,434</u>	<u>19,555,648</u>	<u>17,931,838</u>	<u>1,623,810</u>
Excess of revenues over (under) expenditures	<u>(961,036)</u>	<u>(1,000,079)</u>	<u>477,591</u>	<u>1,477,670</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of fixed assets	921	1,062	1,062	-
Refund of prior year expenditures	8,456	9,755	9,755	-
Refund of prior year receipts		(17,639)	(17,639)	-
Advances in	86,626	115,931	115,931	-
Advances out	(73,100)	(196,832)	(196,832)	-
Operating transfers out	(6,900)	(245,039)	(245,039)	-
Total other financing sources (uses)	<u>16,003</u>	<u>(332,762)</u>	<u>(332,762)</u>	<u>-</u>
Net change in fund balance	(945,033)	(1,332,841)	144,829	1,477,670
Fund balances at beginning of year	1,475,301	1,475,301	1,475,301	-
Prior year encumbrances appropriated	287,533	287,533	287,533	-
Fund balances at end of year	<u>\$ 817,801</u>	<u>\$ 429,993</u>	<u>\$ 1,907,663</u>	<u>\$ 1,477,670</u>

See accompanying notes to the basic financial statements.

Crestwood Local School District
Statement of Fiduciary Net Assets and Liabilities
Fiduciary Funds
June 30, 2002

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 1,138	\$ 51,902
Investments in segregated accounts	11,109	-
Interest receivable	283	-
Total assets	\$ 12,530	\$ 51,902
 <u>Liabilities:</u>		
Accounts payable	\$ -	\$ 1,360
Interfund payable	-	27,900
Due to students	-	22,642
Total liabilities	-	\$ 51,902
 <u>Net assets:</u>		
Held in trust for scholarships	\$ 12,530	

See accompanying notes to the basic financial statements.

Crestwood Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2002

	Private Purpose Trust
	Scholarships
<u>Additions:</u>	
Interest	\$ 815
Gifts and donations	40
Total additions	855
 <u>Deductions:</u>	
Extracurricular	75
Change in net assets	780
Net assets beginning of year	11,750
Net assets end of year	\$ 12,530

See accompanying notes to the basic financial statements.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 129 non-certificated and 193 certificated full time teaching personnel, including 18 administrators, who provide services to 2,766 students and other community members.

Reporting Entity

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

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

Within the boundaries of the Crestwood Local School District, Saint Joseph of Mantua School is operated as a private school. State legislation provides funding to this private school. The School District receives the money and then disburses the money as directed by the private school. The accounting for the moneys is reflected in a special revenue fund of the School District.

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School 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 entity for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function program of the School District's governmental activities and for the single business-type activity of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include 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 that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Based on fund reclassifications, the School District does not report any activities that qualify as business-type activities.

Fund Financial Statements

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

B. Fund Accounting

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

Governmental Funds:

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

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

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

Proprietary Funds:

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

Fiduciary Fund Types:

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

C. Measurement Focus

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

E. Budgetary Data

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

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

F. Cash and Investments

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

The District invested funds in STAR Ohio during fiscal year 2002. 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, 2002.

The School District utilizes a financial institution to service debt as principal and interest payments come due. The balance in this account is presented on the statement of net assets as "Cash and cash equivalents with fiscal agent" and represents deposits. This account had a balance of \$128,969 at year-end for debt retirement and interest due on July 1, 2002.

The balance of \$24,640 in the account "Investment in segregated accounts" on the statement of net assets represents deposits into certificates of deposit of the permanent fund. Earnings on these deposits are used to provide scholarships to students.

G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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

Inventories of the General fund are stated at cost while inventories of the Food Service special revenue fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the general fund consist of expendable supplies held for consumption. Inventories of the Food Service fund consist of donated food, purchased food, and supplies held for resale. Inventories reported on the fund financial statements are expensed when used.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the General fund include the amount required by State statute to be set aside to create a reserve for the purchase of textbook and instructional materials. See Note 18 for additional information regarding set-asides.

J. Capital Assets

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

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

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

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

K. Interfund balances

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

L. Compensated absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

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

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

M. Accrued liabilities and long-term obligations

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

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

N. Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

O. Fund balance reserves

The School District reserves those portions of fund 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, prepaids, textbook/instructional material purchases, and endowment.

P. Interfund transactions

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

Q. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

R. Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2002.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF FUND BALANCE

A. Changes in accounting principles

For fiscal year 2002, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements No. 37 or No. 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between governmental and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2001, caused by the conversion to the accrual basis of accounting and the reclassification of funds based on the guidance provided in Statement No. 34. Due to these fund reclassifications, there are no business type activities reported.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences that had not matured during fiscal year 2001 and has reported prepaid amounts for services not yet consumed.

B. Restatement of fund balance

It was determined that enterprise funds should be reclassified to special revenue funds, prepaids will now be reported at the fund financial level, and that a loan to an agency fund was not properly accounted for in fiscal year 2001. The restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

	<u>General</u>	<u>Classroom Facilities</u>	<u>Non- Major</u>	<u>Total</u>
<i>Fund Balances,</i>				
<i>June 30, 2001</i>	\$ 386,497	\$ 9,040,160	\$ 978,175	\$ 10,404,832
<i>Fund reclassification</i>	-	-	(30,759)	(30,759)
<i>Prepaid items</i>	38,452	-	-	38,452
<i>Interpretation No. 6</i>				
<i>Compensated absences</i>	-	-	18,637	18,637
<i>Adjusted Fund Balances,</i>				
<i>June 30, 2001</i>	<u>\$ 424,949</u>	<u>\$ 9,040,160</u>	<u>\$ 966,053</u>	10,431,162
 <i>GASB 34 Adjustments:</i>				
<i>Capital assets</i>				6,096,100
<i>Long-term liabilities</i>				(9,772,580)
<i>Accrued interest</i>				(127,615)
<i>Long-term (deferred) assets</i>				<u>2,039,959</u>
<i>Governmental activities net assets, June 30, 2001</i>				<u>\$ 8,667,026</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

Net Change in Fund Balance

	<u>General</u>
<i>GAAP Basis</i>	\$ 735,901
<i>Revenue Accruals</i>	(181,214)
<i>Expenditure Accruals</i>	(160,564)
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at year end</i>	(249,294)
<i>Budget Basis</i>	\$ 144,829

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

1. United States Treasury bills, notes, bonds, or any other obligations or 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim moneys available for investment at any one time.

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

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

A. Deposits:

At fiscal year end the carrying amount of the School District's deposits and petty cash totaled (\$77,308) and the bank balances of the deposits totaled \$472,049. Of the bank balance, \$138,049 was covered by federal depository insurance. \$334,000 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

B. Investments:

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

All interest is legally required to be placed in the general fund, the Food Service special revenue fund Public School Support special revenue fund, the Classroom Facilities capital projects fund, the permanent fund and the private purpose trust fund. Due to these provisions, the general fund received \$44,805, of which \$17,170 was assigned from other School District funds to the Classroom Facilities fund.

	<u>Category 3</u>	<u>Fair Value</u>
<u>Categorized Investments</u>		
Repurchase Agreements	\$ 4,528,827	\$ 4,528,827
Total Categorized	\$ 4,528,827	4,528,827
 <u>Noncategorized Investments</u>		
STAR Ohio		8,882,245
Total Investments		\$ 13,411,072

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2000 for the following tax year. Public utility property taxes are assessed on tangible personal property at 85% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value.

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

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$94,046 in the general fund, \$2,116 in the Classroom Facility Maintenance Fund, \$11,983 in the Bond Retirement fund, and \$6,932 in the Permanent Improvement capital projects fund. These advances are recognized as revenue on the fund financial statements.

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

<u>Property Category</u>	<u>2000</u> <u>Assessed Value</u>	<u>2001</u> <u>Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 189,802,140	\$ 193,932,150
Commercial and Industrial	18,118,700	19,068,644
Public Utilities	7,050	6,270
 <u>Tangible Personal Property</u>		
General	13,143,191	15,596,951
Public Utilities	12,211,960	11,539,590
Total	<u>\$ 233,283,041</u>	<u>\$ 240,143,605</u>

NOTE 7 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts, intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
General fund	\$ 1,480,994
Food service lunch reimbursement	16,684
Eisenhower	2,238
Title VI-B	46,807
Title I	58,664
Title VI	2,590
Drug free school grant	8,421
Reducing class size	14,184
Permanent improvement	4,564
Total intergovernmental receivable	<u>\$ 1,635,146</u>

NOTE 8 - CAPITAL ASSETS

The capital asset balances of the governmental activities have been restated due to fund reclassifications (See Note 3.B. for detail) and the increase of the capitalization threshold from \$1,000 to \$5,000.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

	<i>Balance</i>		<i>Restated</i>
	<i>June 30, 2001</i>	<i>Adjustments</i>	<i>Balance</i>
	<u><i>June 30, 2001</i></u>	<u><i>Adjustments</i></u>	<u><i>June 30, 2001</i></u>
<i>Governmental Activities</i>			
<i>Land and improvements</i>	\$ 1,680,074	\$ (590,420)	\$ 1,089,654
<i>Buildings</i>	6,546,369	(129,873)	6,416,496
<i>Furniture and equipment</i>	4,318,000	(1,677,637)	2,640,363
<i>Vehicles</i>	2,384,212	60,499	2,444,711
<i>Construction in progress</i>	98,988	(14,861)	84,127
<i>Less: Accumulated depreciation</i>	<u>-</u>	<u>(6,579,251)</u>	<u>(6,579,251)</u>
<i>Total</i>	<u>\$ 15,027,643</u>	<u>\$ (2,352,292)</u>	<u>\$ 6,096,100</u>

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	<i>Restated</i>			<i>Balance</i>
	<i>Balance</i>	<i>Additions</i>	<i>Disposals</i>	<i>June 30, 2002</i>
<u><i>Governmental Activities</i></u>	<u><i>June 30, 2001</i></u>	<u><i>Additions</i></u>	<u><i>Disposals</i></u>	<u><i>June 30, 2002</i></u>
<i>Capital assets, not being depreciated:</i>				
<i>Land and improvements</i>	\$ 1,089,654	\$ 657,152	\$ -	\$ 1,746,806
<i>Construction in progress</i>	<u>84,127</u>	<u>610,230</u>	<u>-</u>	<u>694,357</u>
<i>Total capital assets, not being depreciated</i>	<u>1,173,781</u>	<u>1,267,382</u>	<u>-</u>	<u>2,441,163</u>
<i>Capital assets, being depreciated:</i>				
<i>Buildings</i>	6,416,496	29,176	-	6,445,672
<i>Furniture and equipment</i>	2,640,363	112,009	(158,037)	2,594,335
<i>Vehicles</i>	<u>2,444,711</u>	<u>175,410</u>	<u>(158,347)</u>	<u>2,461,774</u>
<i>Total capital assets, being depreciated</i>	<u>11,501,570</u>	<u>316,595</u>	<u>(316,384)</u>	<u>11,501,781</u>
<i>Less: Accumulated depreciation</i>				
<i>Buildings</i>	(3,885,446)	(120,360)	-	(4,005,806)
<i>Furniture and equipment</i>	(1,494,779)	(139,564)	95,755	(1,538,588)
<i>Vehicles</i>	<u>(1,199,026)</u>	<u>(182,145)</u>	<u>147,639</u>	<u>(1,233,532)</u>
<i>Total accumulated depreciation</i>	<u>(6,579,251)</u>	<u>(442,069)</u>	<u>243,394</u>	<u>(6,777,926)</u>
<i>Total capital assets being depreciated, net</i>	<u>4,922,319</u>	<u>(125,474)</u>	<u>(72,990)</u>	<u>4,723,855</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 6,096,100</u>	<u>\$ 1,141,908</u>	<u>\$ (72,990)</u>	<u>\$ 7,165,018</u>

Crestwood Local School District
Notes to the Financial Statements
For the fiscal year ended June 30, 2002

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>		
<i>Regular</i>	\$	141,708
<i>Special</i>		5,287
<i>Vocational</i>		240
<i>Support services:</i>		
<i>Pupil</i>		5,274
<i>Instructional staff</i>		28,379
<i>Administration</i>		47,635
<i>Fiscal</i>		628
<i>Operation and maintenance of plant</i>		15,018
<i>Pupil transportation</i>		178,754
<i>Operation of non-instructional services</i>		1,591
<i>Extracurricular activities</i>		2,839
<i>Operation of food service operations</i>		14,716
		\$ 442,069

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2002 consisted of the following:

<i>General fund</i>	\$ 177,898	\$ -	
<i>Non-major governmental funds</i>	-	149,998	
<i>Fiduciary funds</i>	-	27,900	
	\$ 177,898	\$ 177,898	

The balance of \$1,000 due to the general fund from the Uniform School Supplies special revenue fund resulted from a loan in a prior fiscal year to cover operation losses incurred by activities within the fund. Repayment of this loan is anticipated to occur in the next fiscal year.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2002, all interfund loans outstanding are anticipated to be repaid in fiscal year 2003.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

NOTE 10 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2002, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>			<u>Total</u>
	<u>General Fund</u>	<u>Classroom Facilities</u>	<u>Non-Major Funds</u>	
Classroom Facilities	\$ 234,138	\$ -	\$ -	\$ 234,138
Non-Major Funds	<u>10,901</u>	<u>210,000</u>	<u>6,716</u>	<u>227,617</u>
<i>Total</i>	<u>\$ 245,039</u>	<u>\$ 210,000</u>	<u>\$ 6,716</u>	<u>\$ 461,755</u>

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

In the year ended June 30, 2002, the School District made a one-time transfer of \$6,716 from the Building fund capital projects fund to the Bond Retirement debt service fund. This amount represented the balance of the Building fund, which is to be used to retire outstanding debt associated with the purchase of land. In addition, there was a one-time transfer of \$210,000 from the Classroom Facilities special revenue fund to the Building fund. This transfer was to allocate the portion of Classroom Facility bond proceeds, received in fiscal year 2001, to the Building fund for the purchase of land. Finally, there was also a one-time transfer of \$234,138 from the general fund to the classroom facilities fund, which represents the previous fiscal year's budget stabilization used in the purchase of land.

NOTE 11 - RISK MANAGEMENT

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

A. Property and liability

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

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

In addition, the School District contracted with Indiana Insurance for property, Nationwide Agribusiness for employee bonding and Ohio School Plan for general liability insurance during fiscal year 2002:

<u>Property</u>	
<i>Building and Contents-replacement cost (\$2,500 deductible)</i>	\$ 36,408,968
<i>Equipment (\$1,000 deductible)</i>	1,920,873
<i>Musical Instruments/AV Equipment (\$250 deductible)</i>	523,429
<i>Commercial Auto (\$250 deductible)</i>	100,000
 <u>Public Officials Bonds</u>	
<i>Board President</i>	20,000
<i>Superintendent</i>	20,000
<i>Treasurer</i>	80,000
 <u>General Liability</u>	
<i>Per occurrence</i>	1,000,000
<i>Total per year</i>	3,000,000

B. Workers' Compensation

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

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained from the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 5.46% for pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$151,950, \$131,069, and \$142,736, respectively; 48% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$83,875, is recorded as an intergovernmental payable.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 9.5% for pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$819,258, \$796,793, and \$483,171, respectively; 83% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$138,955, is recorded as an intergovernmental payable.

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Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 4.5% covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$388,070 during the 2002 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.256 billion at June 30, 2001, (latest information available). For the year ended June 30, 2001, the net health care costs paid by the STRS were \$300,772,000 and eligible benefit recipients totaled 102,132.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2001 (the latest information available), the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$257,921, which includes a surcharge of \$20,255 during the 2002 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002, (latest information available) were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the SERS's net assets available for payment of health care benefits was \$335.2 million, at cost. The number of participants receiving health care benefits was approximately 50,000.

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The School District, in prior years, has entered into capitalized leases for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. In addition to prior year agreements, the School District has entered into two new capitalized lease agreement during fiscal year 2002. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

Capital assets acquired by lease have been capitalized as equipment in the amount of \$152,682 equal to the present value of the future minimum lease payments in the government-wide financial statements. Principal payments in the current fiscal year totaled \$32,625.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

<i>Fiscal Year</i>	<i>Lease Payments</i>
2003	\$ 41,362
2004	35,261
2005	26,146
2006	22,622
2007	<u>23,978</u>
<i>Total minimum lease payments</i>	<u>149,369</u>
<i>Less: amount representing interest</i>	<u>(26,662)</u>
<i>Present value of minimum lease payments</i>	<u>\$ 122,707</u>

NOTE 15 - LONG-TERM OBLIGATIONS

The School District's beginning long-term compensated absences liability increased \$18,637 from \$738,881 to \$757,518 due to the fund reclassifications described in Note 3.B. Changes in long-term obligations of the School District during the fiscal year were as follows:

	<i>Balance at 6/30/01</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at 6/30/02</i>	<i>Due In One Year</i>
<i>Governmental Activities</i>					
<u><i>Bonds and notes payable:</i></u>					
<i>1992 Energy Conservation, 6.35%</i>	\$ 125,000	\$ -	\$ (125,000)	\$ -	\$ -
<i>1995 Energy Conservation, 5.03%</i>	22,000	-	(22,000)	-	-
<i>2001 School Improvements, 5.00%</i>	8,474,000	-	(165,000)	8,309,000	265,000
<i>2001 Site Acquisition, 5.00%</i>	<u>210,000</u>	<u>-</u>	<u>(5,000)</u>	<u>205,000</u>	<u>5,000</u>
<i>Total bonds and notes payable</i>	<u>8,831,000</u>	<u>-</u>	<u>(317,000)</u>	<u>8,514,000</u>	<u>270,000</u>
<u><i>Other liabilities</i></u>					
<i>EPA Asbestos Removal Loan</i>	82,815	-	(6,901)	75,914	6,901
<i>Compensated absences</i>	757,518	163,636	(69,031)	852,123	32,699
<i>Capital leases</i>	<u>101,247</u>	<u>87,709</u>	<u>(66,249)</u>	<u>122,707</u>	<u>31,147</u>
<i>Total other liabilities</i>	<u>941,580</u>	<u>251,345</u>	<u>(142,181)</u>	<u>1,050,744</u>	<u>70,747</u>
<i>Governmental activities long-term liabilities</i>	<u>\$ 9,772,580</u>	<u>\$ 251,345</u>	<u>\$ (459,181)</u>	<u>\$ 9,564,744</u>	<u>\$ 340,747</u>

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

In fiscal year 1992 and 1995, the School District issued \$946,000 of 1992 Series Energy Conservation Notes and \$157,000 of 1994 Series Energy Conservation Notes respectively. These notes were issued for the installations, modifications and remodeling of school buildings to conserve energy and mature on July 1, 2002 and September 1, 2001 respectively. A current portion of the 1992 Series Energy Conservation Notes Payable is shown in the Bond Retirement debt service fund. This \$125,000 principal payment is due July 1, 2002, and is to be paid from funds on deposit with a fiscal agent.

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

In fiscal year 1994, the School District obtained an EPA Asbestos loan in the amount of \$124,221 in order to undertake an asbestos abatement project. The EPA Asbestos loan will be paid from property taxes in the Bond Retirement debt service fund and will mature on May 1, 2013. Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund.

Principal and interest requirements to retire the Classroom Facilities bonds and the EPA Asbestos loan outstanding at June 30, 2002 are as follows:

<i>Fiscal Year Ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$ 276,901	\$ 376,340	\$ 653,241
2004	286,901	366,643	653,544
2005	296,901	356,238	653,139
2006	306,901	345,098	651,999
2007	321,902	333,101	655,003
2008-2012	1,293,397	1,988,994	3,282,391
2013-2017	2,036,901	1,191,973	3,228,874
2018-2022	2,560,000	634,884	3,194,884
2023-2024	1,210,110	61,250	1,271,360
<i>Total</i>	<u>\$ 8,589,914</u>	<u>\$ 5,654,521</u>	<u>\$ 14,244,435</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Stark Portage Area Computer Consortium (SPARCC) is the computer service organization or Data Acquisition Site (DAS) used by the School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All Districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs SPARCC. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the general fund. During the fiscal year, the School District contributed \$42,734 to SPARCC.

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

Portage County School Consortium is an insurance group-purchasing consortium made up of thirteen school districts in Portage County. All member districts pay an insurance premium directly to the consortium. The School District paid \$1,995,844 in the form of health care premiums to the consortium for the current fiscal year.

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

NOTE 17 - CONTINGENCIES

A. Grants:

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

B. School Funding:

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

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

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

NOTE 18 - STATUTORY RESERVES

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

Crestwood Local School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2002

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that School Districts establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. During the fiscal year, the Board acted on the Senate Bill and passed a resolution to eliminate the reserve balance. The reserve activity as of June 30, 2002 was as follows:

	<u>Textbook</u> <u>Reserve</u>	<u>Capital</u> <u>Maintenance</u> <u>Reserve</u>	<u>Budget</u> <u>Stabilization</u> <u>Reserve</u>	<u>School</u> <u>Bus</u> <u>Reserve</u>	<u>Total</u>
<i>Set-aside cash balance</i> <i>as of June 30, 2001</i>	\$ 28,964	\$ -	\$ 82,157	\$ -	\$ 111,121
<i>Reduction authorized by</i> <i>legislative revisions</i>	-	-	-	-	-
<i>Current year set-aside requirement</i>	369,367	369,367	-	56,647	795,381
<i>Current year offset</i>	-	(313,259)	-	-	(313,259)
<i>Qualifying disbursements</i>	<u>(318,638)</u>	<u>(362,345)</u>	<u>(82,157)</u>	<u>(56,647)</u>	<u>(819,787)</u>
<i>Total</i>	<u>\$ 79,693</u>	<u>\$ (306,237)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(226,544)</u>
<i>Balance carried forward to FY2003</i>	<u>\$ 79,693</u>				

NOTE 19 - FUND DEFICITS

As of June 30, 2002, several special revenue funds had deficit fund balances. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances as follows:

<u>Fund</u>	<u>Amount</u>
<i>Food Service special revenue</i>	\$ 2,268
<i>Athletics special revenue</i>	26,028
<i>Title VI special revenue</i>	582

NOTE 20 - COMMITMENTS

The School District has entered into contracts for the planning and construction of classroom facilities. As of June 30, 2002 the School District is committed to contracts for these projects in the amount of \$1,332,327 and have expended \$679,496 of this amount. These projects are commitments of the Classroom Facilities capital projects fund.

CRESTWOOD LOCAL SCHOOL DISTRICT

PORTAGE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
National School Lunch Program	N/A	10.555	\$100,994		\$100,994	
Food Distribution Program	N/A	10.550		\$115,436		\$111,288
Total U.S. Department of Agriculture - Nutrition Cluster			\$100,994	115,436	\$100,994	111,288
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1S1-2001 C1S1-2002 C1SD 2002	84.010	29,488 147,659 22,354		30,167 161,429 24,923	
Total Title I Grants to Local Educational Agencies			199,501		216,519	
<i>Special Education Cluster:</i>						
Special Education - Grant to States (Title VI-B Special Education Assistance for Handicapped Children)	6BSF-2000 6BSF-2001 6BEC 2000	84.027	28,537 150,327 4,033		38,232 161,936 2,871	
Total Special Education - Grant to States			182,897		203,039	
expenditure by the Educational Service Center of Portage County	Unknown	84.173	7,789		7,789	
Total Special Education Cluster			190,686		210,828	
Safe and Drug-Free Schools And Communities -- State Grants	DRS1 1999 DRS1 2000 DRS1 2001 DRS1 2002	84.186			(1,009) 3,367 1,518 3,232	
Total Drug Free School Grant			10,279		7,108	
Eisenhower Professional Development Grant	MSS1 2002	84.281	10,990			
Eisenhower Professional Development Grant / on-behalf-of expenditure by the Educational Service Center of Portage County	Unknown		5,443		5,443	
Total Eisenhower Professional Development Grant			16,433		5,443	
Innovative Education Program Strategies	C2S1 2001 C2S1 2002	84.298	2,799 12,674		2,131 12,108	
Total Innovative Education Program Strategies			15,473		14,239	
Assistive Technology	ATS1 2992	84.352	3,403		783	
Total Assistive Technology			3,403		783	
Title VI-R Class Size Reduction	CRS1 2001 CRS1 2002	84.340	3,200 56,984		4,875 56,984	
Total Title VI-R Class Size Reduction			60,184		61,859	
Total U.S. Department of Education			495,959		516,779	
Total Federal Awards Expenditures			\$ 596,953	\$ 115,436	\$ 617,773	\$ 111,288

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

**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the basic financial statements of the Crestwood Local School District, Portage County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated February 7, 2003, wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated February 7, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2002-11167-001 and 2002-11167-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated February 7, 2003.

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

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

Betty Montgomery
Auditor of State

February 7, 2003



**Auditor of State
Betty Montgomery**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Crestwood Local School District, Portage County (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Federal Awards Expenditures

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2002, which collectively comprise the Crestwood Local School District's basic financial statements, and have issued our report thereon dated February 7, 2003. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Betty Montgomery
Auditor of State

February 7, 2003

**CRESTWOOD LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: 1. Title VI B (CFDA - 84.027), 2. Preschool on Behalf Grant (CFDA - 84.173)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	2002-11167-001
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Reportable Condition

High School and Middle School Cafeterias to Implement Additional Procedures to Strengthen Controls over Cash Collections and Record Keeping

High School and Middle School cafeteria cashiers use cash registers to record sales, collect money, and reconcile sales to cash collected. Therefore, cashiers have the opportunity to make corrections of daily receipts by balancing their drawers through the running of an "X" reading on their register. Under proper segregation of duties, the person collecting money should not be the same as the person reconciling collection to sales.

The following recommendations are being made for the High School and Middle School cafeterias:

- We recommend cashiers not close out their own cash register drawer. Instead, we recommend cashiers close out each other's drawer or have a supervisor perform the close out.
- We recommend for the Food Service Director to perform surprise audits of each cashier in the District on a periodic basis after lunches have been served. The audit would consist of closing out the cashier's drawer and reconciling the sales recorded on the register to the cash collected. This may prevent sales from going unrecorded, since theft often takes place when a person closes out their cash register and takes the difference between sales recorded and cash collected.
- We recommend the Food Service Director reconcile the cash register tapes and the daily deposit sheets to the CN-7 report. We also recommend the Food Service Director review the food production sheets being prepared by the cook managers. The Food Service Director should document these reconciliations and reviews by signing and dating or initialing the information she reviews.

Implementation of the above recommendations may assist the District in ensuring the daily cash receipts from cafeteria sales are complete and accurate, while maybe implementing additional procedures to help deter and detect theft.

Finding Number	2002-11167-002
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Reportable Condition

Elementary Schools Cafeterias to Implement Additional Procedures to Strengthen Controls over Cash Collections and Record Keeping

Each of the four Elementary Schools' cafeterias utilizes a Daily Tab Record sheet and a cash box to record sales and to collect money. No cash registers are used. Sales and cash collection are performed by the Cook Manager and a cashier. The Cook Manager reconciles sales to cash collected, fills out the bank deposit slip, and takes the deposit to the bank at the end of the day. The Cook Manager also counts the number of main entrees served and compares it to the total of lunches and main entrees sold. Under the proper segregation of duties, the person collecting money should not be the same as the person recording the transaction. In addition, the Cook Manager is performing the count and reconciliation of the number of main entrees served compared to the number sold.

The following recommendations are being made for the four Elementary Schools' cafeterias:

- We recommend that all schools post lunch and ala carte prices in their cafeterias to keep students aware of prices.
- We recommend the segregation over recording sales, collecting cash, reconciling sales and cash, and counting lunches and main entrees. Under the proper segregation of duties, the person collecting money should not be the same as the person recording the transaction. Segregation may be increased by the use of cash registers or computers for all cafeteria sales.
- We recommend the District review and assess the staffing levels in the elementary schools' cafeterias. Adequate segregation of duties cannot be achieved when one employee is involved in every aspect of the cafeteria's financial operations. If additional personnel were obtained so that the Cook Manager would not be involved in the collection of cash, we would recommend for the cashier not to close out their own drawer. One approach would be for the Cook Manager and the cashier to reconcile the drawer together. Upon the completion of this reconciliation, the Cook Manager and the cashier should sign and date or initial the reconciliations they just performed.

- We recommend for the Food Service Director to perform surprise audits of each cashier in the District on a periodic basis, after all lunches have been served. The audit would consist of reconciling the sales recorded by the cashier to the cash collected. This may prevent sales from going unrecorded, since theft often takes place when a person is able to reconcile the difference between sales recorded and cash collected.
- We recommend the Food Service Director reconcile the daily tally sheets and the daily deposit sheets to the CN-7 report. We also recommend the Food Service Director review the food production sheets being prepared by the cook managers. The Food Service Director should document these reconciliations and reviews by signing and dating or initialing the information she reviews.

Implementation of the above recommendations may assist the District in ensuring the daily cash receipts from cafeteria sales are complete and accurate, while maybe implementing additional procedures to deter and detect theft.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	None
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CRESTWOOD LOCAL SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2003**