



Dave Yost • Auditor of State

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Crestview Local School District
Richland County
1575 State Route 96
Ashland, Ohio 44805

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Crestview Local School District, Richland County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Crestview Local School District, Richland County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 20, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The management's discussion and analysis of the Crestview Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position of governmental activities decreased \$236,827 which represents a 0.89% decrease from fiscal year 2012.
- General revenues accounted for \$10,033,373 in revenue or 79.39% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,605,239 or 20.61% of total revenues of \$12,638,612.
- The District had \$12,875,439 in expenses related to governmental activities; \$2,605,239 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,033,373 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$10,277,616 in revenues and \$10,136,174 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance increased \$141,442 from a balance of \$5,537,543 to \$5,678,985.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, revenues, deferred inflows and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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

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

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 11. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-51 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012.

	Net Position	
	Governmental Activities 2013	Governmental Activities 2012
<u>Assets</u>		
Current and other assets	\$ 10,430,414	\$ 10,107,330
Capital assets, net	<u>22,072,275</u>	<u>22,711,036</u>
Total assets	<u>32,502,689</u>	<u>32,818,366</u>
<u>Deferred outflows</u>		
Unamortized deferred charges on debt refunding	<u>48,516</u>	<u>52,397</u>
Total deferred outflows	<u>48,516</u>	<u>52,397</u>
<u>Liabilities</u>		
Current liabilities	1,139,544	614,197
Long-term liabilities	<u>2,633,638</u>	<u>2,940,071</u>
Total liabilities	<u>3,773,182</u>	<u>3,554,268</u>
<u>Deferred inflows</u>		
Property taxes levied for the next fiscal year	<u>2,371,349</u>	<u>2,672,994</u>
Total deferred inflows	<u>2,371,349</u>	<u>2,672,994</u>
<u>Net Position</u>		
Net investment in capital assets	19,940,791	20,534,571
Restricted	1,048,038	1,124,227
Unrestricted	<u>5,417,845</u>	<u>4,984,703</u>
Total net position	<u>\$ 26,406,674</u>	<u>\$ 26,643,501</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$26,406,674. Of this total, \$5,417,845 is unrestricted in use. Total assets decreased \$315,677. The majority of this decrease was due to a decrease in capital assets that were disposed of in the amount of \$476,277. This decrease was offset by an increase in taxes in the amount of \$248,768. The liabilities decrease \$218,914. The majority of this decrease was due to the District paying off \$350,000 in capital appreciation bonds. This decrease was offset by an increase in deferred inflows of \$220,913.

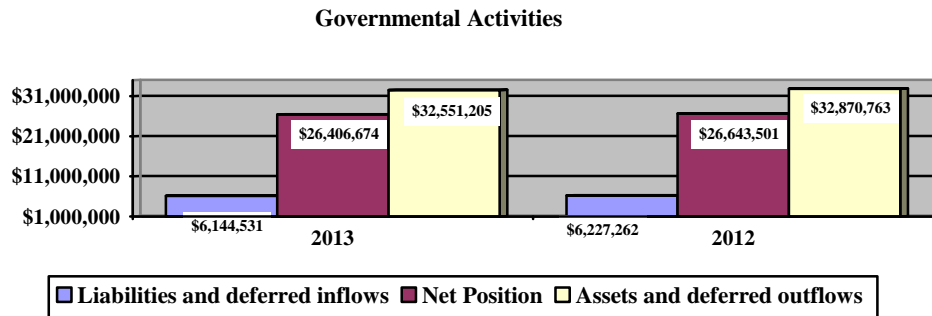
**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

At year end, capital assets represented 67.91% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2013, was \$19,940,791. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,048,038, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$5,417,845 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net position for the governmental activities for 2013 and 2012:



The table below shows the change in net position for fiscal year 2013 and 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Change in Net Position

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,751,523	\$ 5,956,355
Special	1,359,929	1,187,291
Vocational	269,501	263,683
Other	865	-
Support services:		
Pupil	448,882	569,768
Instructional staff	409,194	656,726
Board of education	80,089	101,057
Administration	966,560	802,548
Fiscal	237,269	292,580
Business	545	720
Operations and maintenance	1,188,628	1,116,259
Pupil transportation	815,415	911,693
Central	27,753	21,524
Operations of non-instructional services:		
Other non-instructional services	82,050	-
Food service operations	522,481	500,625
Extracurricular activities	611,164	522,470
Interest and fiscal charges	<u>103,591</u>	<u>209,794</u>
Total expenses	<u>12,875,439</u>	<u>13,113,093</u>
Change in net position	(236,827)	(525,456)
Net position at beginning of year	<u>26,643,501</u>	<u>27,168,957</u>
Net position at end of year	<u>\$ 26,406,674</u>	<u>\$ 26,643,501</u>

Governmental Activities

Net position of the District's governmental activities decreased \$236,827. Total governmental expenses of \$12,875,439 were offset by program revenues of \$2,605,239 and general revenues of \$10,033,373. Program revenues supported 20.23% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 78.84% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,381,818 or 57.33% of total governmental expenses for fiscal year 2013.

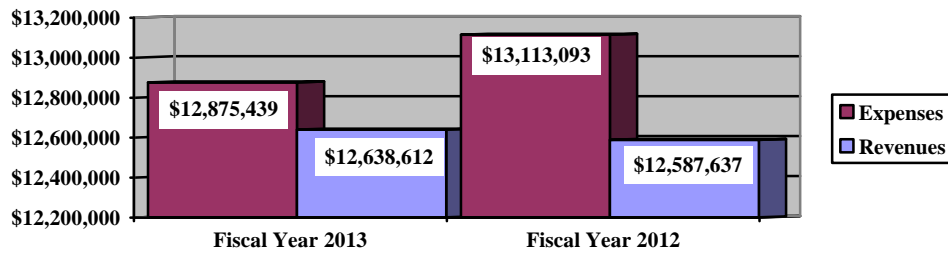
**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Net position decreased by \$236,827 in fiscal year 2013. Revenues reflect an increase of \$50,975 due primarily to an increase in property taxes in the amount of \$163,341, an increase in charges for services in the amount of \$19,037 and an increase in Grants and entitlements in the amount of \$82,289. The increase in property tax revenues was due to a decrease in the amount of delinquent taxes that was received during fiscal year 2013 compared to fiscal year 2012. These increases were offset by decreases in operating grants and contributions in the amount of \$232,678. The decrease in operating grants and contributions was due to a decrease in federal funding for grants. Program expenses decreased \$237,654 due to a decrease of \$25,511 in total instruction expenses and a \$298,540 decrease in support services expenses. The decreases were offset by a \$103,906 increase in total non-instructional services expenses and an increase in extracurricular activities of \$88,694.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2013 and 2012.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program expenses				
Instruction:				
Regular	\$ 5,751,523	\$ 5,358,884	\$ 5,956,355	\$ 5,342,469
Special	1,359,929	79,068	1,187,291	(44,851)
Vocational	269,501	219,233	263,683	213,415
Other	865	865	-	-
Support services:				
Pupil	448,882	399,776	569,768	534,759
Instructional staff	409,194	344,918	656,726	527,390
Board of education	80,089	80,089	101,057	101,057
Administration	966,560	966,560	802,548	800,766
Fiscal	237,269	237,269	292,580	292,580
Business	545	(146)	720	720
Operations and maintenance	1,188,628	1,186,507	1,116,259	1,114,912
Pupil transportation	815,415	815,415	911,693	895,183

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

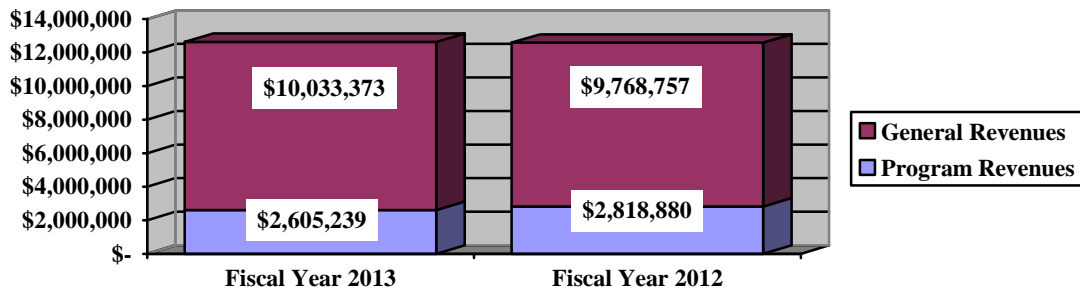
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
Central	27,753	22,353	21,524	16,124
Operations of non-instructional services				
Other non-instructional services	82,050	82,050	-	-
Food service operations	522,481	51,925	500,625	(31,512)
Extracurricular activities	611,164	321,843	522,470	321,407
Interest and fiscal charges	103,591	103,591	209,794	209,794
Total expenses	<u>\$ 12,875,439</u>	<u>\$ 10,270,200</u>	<u>\$ 13,113,093</u>	<u>\$ 10,294,213</u>

The dependence upon tax and other general revenues for governmental activities is apparent; 76.65% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.77%. The District's taxpayers and grants and entitlements received from the State of Ohio, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2013 and 2012.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$6,698,766, which is a higher balance than last year's total balance of \$6,630,994. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance <u>June 30, 2013</u>	Fund Balance <u>June 30, 2012</u>	Increase (Decrease)	Percentage Change
General	\$ 5,678,985	\$ 5,537,543	\$ 141,442	2.55 %
Other governmental	<u>1,019,781</u>	<u>1,093,451</u>	<u>(73,670)</u>	(6.74) %
Total	<u>\$ 6,698,766</u>	<u>\$ 6,630,994</u>	<u>\$ 67,772</u>	1.02 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

General Fund

The District's general fund balance increased \$141,442. Revenues exceeded expenditures for fiscal year 2013 by \$147,942.

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

	2013 <u>Amount</u>	2012 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 2,441,794	\$ 2,235,313	\$ 206,481	9.24 %
Earnings on investments	42,722	9,338	33,384	357.51 %
Intergovernmental	7,443,009	7,378,105	64,904	0.88 %
Other revenues	<u>350,091</u>	<u>235,721</u>	<u>114,370</u>	48.52 %
Total	<u>\$ 10,277,616</u>	<u>\$ 9,858,477</u>	<u>\$ 419,139</u>	4.25 %
<u>Expenditures</u>				
Instruction	\$ 6,083,623	\$ 5,692,080	\$ 391,543	6.88 %
Support services	3,586,790	3,831,722	(244,932)	(6.39) %
Non-instructional services	82,050	-	82,050	100.00 %
Extracurricular activities	372,630	288,444	84,186	29.19 %
Facilities acquisition and construction	4,581	1,576	3,005	190.67 %
Debt service	<u>-</u>	<u>32,480</u>	<u>(32,480)</u>	(100.00) %
Total	<u>\$ 10,129,674</u>	<u>\$ 9,846,302</u>	<u>\$ 283,372</u>	2.88 %

Tax revenues increased 9.24% due to an increase in the collection of real estate taxes. Intergovernmental revenues increased due to an increase in basic foundation revenues. Other revenues increased 48.52% due to an increase in miscellaneous revenues. Expenditures increased 2.88%, most of which was due to personnel costs.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,041,469 and final budgeted revenues and other financing sources were \$10,160,246. Actual revenues and other financing sources for fiscal year 2013 were \$10,218,642. This represents a \$58,396 increase over final budgeted revenues and other financing sources. The increase is primarily due to the conservative budgeting of taxes and intergovernmental revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$10,530,086 and final appropriations were \$10,311,749. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$10,171,142, which was \$140,607 lower than the final budget appropriations. Actual expenditures were under appropriations by \$140,607 due to the School District monitoring their spending during fiscal year 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$22,072,275 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2013 balances compared to 2012:

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

	Governmental Activities	
	2013	2012
Land	\$ 194,705	\$ 194,705
Land improvements	240,488	197,234
Building and improvements	20,873,968	21,610,353
Furniture and equipment	384,666	315,704
Vehicles	378,448	393,040
Total	\$ 22,072,275	\$ 22,711,036

The overall decrease in capital assets of \$638,761 is due to depreciation expense of \$781,863 and disposals (net of accumulated depreciation) of \$186,629 exceeding capital outlays of \$329,731. See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2013, the District had \$2,180,000 in general obligation bonds. Of this total, \$295,000 is due within one year and \$1,885,000 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2013	2012
General obligation bonds	\$ 2,180,000	\$ 2,503,370
Total	\$ 2,180,000	\$ 2,503,370

The District paid off the remaining \$350,000 of the 2001 Capital Appreciation bonds in 2013.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Current Financial Related Activities

The Crestview School District is currently in a solid financial position. The District had a carryover available cash balance in the general fund of \$5.3 million as of June 30, 2013. In addition, the District had approximately \$650,000 set-aside in a budget reserve fund for a future shortfall. The 5-year financial forecast shows a positive general fund cash balance through fiscal year 2017.

The District, however, is seeing that starting in fiscal year 2014 revenues aren't keeping pace with expenditures. Eventually, the carryover cash balance will be exhausted. This will become a serious issue as the District will need greater revenues in the future.

Since the District relies on the State for approximately 70% of the general operating revenues, one of the largest challenges facing the District is that of State funding. The State of Ohio was found by the Supreme Court in March 1997 to be operating an unconstitutional education funding system, one that was neither adequate nor equitable. Since State funding isn't sufficient to pay the entire cost of an adequate education, districts are forced to make up those funds with local revenues.

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

Contacting the District's Financial Management

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

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

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 7,078,374
Receivables:	
Taxes.	3,090,544
Accounts.	6,514
Accrued interest.	5,228
Intergovernmental.	169,757
Prepayments.	57,177
Materials and supplies inventory.	22,820
Capital assets:	
Land.	194,705
Depreciable capital assets, net.	21,877,570
Capital assets, net.	22,072,275
Total assets.	32,502,689
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding.	48,516
Total deferred outflows of resources.	48,516
 Liabilities:	
Accounts payable.	27,291
Accrued wages and benefits.	888,881
Pension obligation payable.	158,284
Intergovernmental payable.	60,082
Accrued interest payable.	5,006
Long-term liabilities:	
Due within one year.	323,119
Due in more than one year.	2,310,519
Total liabilities.	3,773,182
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	2,371,349
Total deferred inflows of resources.	2,371,349
 Net position:	
Net investment in capital assets.	19,940,791
Restricted for:	
Capital projects.	298,344
Classroom facilities maintenance.	216,078
Debt service.	203,815
Locally funded programs.	966
Federally funded programs.	5,927
Student activities.	41,584
Other purposes.	281,324
Unrestricted.	5,417,845
Total net position.	\$ 26,406,674

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,751,523	\$ 194,095	\$ 198,544	\$ (5,358,884)
Special	1,359,929	23,703	1,257,158	(79,068)
Vocational	269,501	-	50,268	(219,233)
Other	865	-	-	(865)
Support services:				
Pupil	448,882	-	49,106	(399,776)
Instructional staff	409,194	-	64,276	(344,918)
Board of education	80,089	-	-	(80,089)
Administration	966,560	-	-	(966,560)
Fiscal	237,269	-	-	(237,269)
Business	545	-	691	146
Operations and maintenance	1,188,628	2,121	-	(1,186,507)
Pupil transportation	815,415	-	-	(815,415)
Central	27,753	-	5,400	(22,353)
Operation of non-instructional services:				
Other non-instructional services	82,050	-	-	(82,050)
Food service operations	522,481	171,894	298,662	(51,925)
Extracurricular activities	611,164	217,045	72,276	(321,843)
Interest and fiscal charges	103,591	-	-	(103,591)
Total governmental activities	\$ 12,875,439	\$ 608,858	\$ 1,996,381	(10,270,200)
 General revenues:				
Property taxes levied for:				
General purposes				2,427,982
Special revenue				41,675
Debt service				320,733
Capital outlay				248,016
Grants and entitlements not restricted to specific programs				6,925,502
Investment earnings				40,975
Miscellaneous				28,490
Total general revenues				10,033,373
 Change in net position				 (236,827)
Net position at beginning of year				26,643,501
 Net position at end of year				 \$ 26,406,674

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 6,138,566	\$ 939,808	\$ 7,078,374
Receivables:			
Taxes.	2,474,526	616,018	3,090,544
Accounts	5,831	683	6,514
Accrued interest	5,228	-	5,228
Interfund loans	6,000	-	6,000
Intergovernmental.	66,404	103,353	169,757
Prepayments.	57,177	-	57,177
Materials and supplies inventory.	8,352	14,468	22,820
Total assets	<u>\$ 8,762,084</u>	<u>\$ 1,674,330</u>	<u>\$ 10,436,414</u>
Liabilities:			
Accounts payable	\$ 15,736	\$ 11,555	\$ 27,291
Accrued wages and benefits payable	781,622	107,259	888,881
Compensated absences payable	19,880	-	19,880
Interfund loans payable.	-	6,000	6,000
Intergovernmental payable	55,946	4,136	60,082
Pension obligation payable	140,553	17,731	158,284
Total liabilities.	<u>1,013,737</u>	<u>146,681</u>	<u>1,160,418</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	1,898,682	472,667	2,371,349
Delinquent property tax revenue not available.	117,526	29,256	146,782
Accrued interest not available.	5,228	-	5,228
Other nonexchange transactions not available.	47,926	5,945	53,871
Total deferred inflows of resources	<u>2,069,362</u>	<u>507,868</u>	<u>2,577,230</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory.	8,352	14,468	22,820
Prepays.	57,177	-	57,177
Restricted:			
Debt service	-	193,164	193,164
Capital improvements	-	286,547	286,547
Classroom facilities maintenance	-	214,276	214,276
Food service operations	-	268,666	268,666
Special education	-	2,585	2,585
Targeted academic assistance	-	4,444	4,444
Other purposes.	-	966	966
Extracurricular.	-	41,584	41,584
Committed:			
Student and staff support	18,791	-	18,791
Assigned:			
Student instruction	15,996	-	15,996
Student and staff support.	75,684	-	75,684
Extracurricular activities	5,878	-	5,878
Subsequent year's appropriations	230,456	-	230,456
Operation of non-instructional services	325	-	325
Other purposes.	753	-	753
Unassigned (deficit)	5,265,573	(6,919)	5,258,654
Total fund balances	<u>5,678,985</u>	<u>1,019,781</u>	<u>6,698,766</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,762,084</u>	<u>\$ 1,674,330</u>	<u>\$ 10,436,414</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013**

Total governmental fund balances		\$	6,698,766
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			22,072,275
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Taxes receivable	\$	146,782	
Accrued interest receivable		5,228	
Intergovernmental receivable		53,871	
Total		205,881	205,881
Unamortized amounts on refundings are not recognized in the funds.			48,516
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(433,758)	
General obligation bonds		(2,180,000)	
Accrued interest payable		(5,006)	
Total		(2,618,764)	(2,618,764)
Net position of governmental activities		\$	26,406,674

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 2,441,794	\$ 618,612	\$ 3,060,406
Tuition	94,943	-	94,943
Earnings on investments	42,722	1,771	44,493
Charges for services	-	171,894	171,894
Extracurricular	15,334	206,006	221,340
Classroom materials and fees	37,218	-	37,218
Rental income	2,121	-	2,121
Contributions and donations	5,328	20,221	25,549
Contract services	81,000	-	81,000
Other local revenues	114,147	115	114,262
Intergovernmental - state	7,443,009	138,581	7,581,590
Intergovernmental - federal	-	1,188,621	1,188,621
Total revenues	<u>10,277,616</u>	<u>2,345,821</u>	<u>12,623,437</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,127,228	243,799	5,371,027
Special	698,736	631,869	1,330,605
Vocational	256,794	-	256,794
Other	865	-	865
Support services:			
Pupil	398,608	48,309	446,917
Instructional staff	328,550	66,310	394,860
Board of education	79,374	-	79,374
Administration	938,689	-	938,689
Fiscal	217,478	13,629	231,107
Business	545	-	545
Operations and maintenance	882,087	82,874	964,961
Pupil transportation	719,106	82,997	802,103
Central	22,353	5,400	27,753
Operation of non-instructional services:			
Other non-instructional services	82,050	-	82,050
Food service operations	-	476,219	476,219
Extracurricular activities	372,630	221,460	594,090
Facilities acquisition and construction	4,581	135,051	139,632
Debt service:			
Principal retirement	-	355,000	355,000
Interest and fiscal charges	-	63,074	63,074
Total expenditures	<u>10,129,674</u>	<u>2,425,991</u>	<u>12,555,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>147,942</u>	<u>(80,170)</u>	<u>67,772</u>
Other financing sources (uses):			
Transfers in	-	6,500	6,500
Transfers (out)	<u>(6,500)</u>	<u>-</u>	<u>(6,500)</u>
Total other financing sources (uses)	<u>(6,500)</u>	<u>6,500</u>	<u>-</u>
Net change in fund balances	141,442	(73,670)	67,772
Fund balances at beginning of year	5,537,543	1,093,451	6,630,994
Fund balances at end of year	<u>\$ 5,678,985</u>	<u>\$ 1,019,781</u>	<u>\$ 6,698,766</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds	\$	67,772
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 329,731	
Current year depreciation	<u>(781,863)</u>	
Total		(452,132)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(186,629)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(22,000)	
Interest	(1,747)	
Intergovernmental	<u>38,922</u>	
Total		15,175
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		355,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	11	
Accreted interest on capital appreciation bonds	(31,630)	
Amortization of deferred charges	<u>(3,881)</u>	
Total		(35,500)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(513)</u>
Change in net position of governmental activities	\$	<u>(236,827)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 2,347,769	\$ 2,375,781	\$ 2,390,105	\$ 14,324
Tuition	70,163	71,000	90,812	19,812
Earnings on investments	42,542	43,050	42,722	(328)
Classroom materials and fees	42,987	43,500	49,348	5,848
Rental income	1,285	1,300	2,121	821
Contributions and donations	-	-	400	400
Contract services	80,045	81,000	81,000	-
Other local revenues	11,019	11,150	30,775	19,625
Intergovernmental - state	7,359,509	7,447,315	7,443,009	(4,306)
Total revenues	9,955,319	10,074,096	10,130,292	56,196
Expenditures:				
Current:				
Instruction:				
Regular	5,255,995	5,146,317	5,075,684	70,633
Special	705,201	690,486	681,008	9,478
Vocational	266,542	260,980	257,398	3,582
Other	896	877	865	12
Support services:				
Pupil	425,333	416,457	410,741	5,716
Instructional staff	346,866	339,627	334,966	4,661
Board of education	88,142	86,302	85,118	1,184
Administration	977,788	957,384	944,244	13,140
Fiscal	229,309	224,524	221,442	3,082
Operations and maintenance	981,229	960,753	947,567	13,186
Pupil transportation	761,354	745,466	735,235	10,231
Central	23,094	22,612	22,302	310
Operation of non-instructional services:				
Other non-instructional services	84,855	83,084	81,944	1,140
Extracurricular activities	307,604	301,185	297,051	4,134
Facilities acquisition and construction	8,763	8,580	8,462	118
Total expenditures	10,462,971	10,244,634	10,104,027	140,607
Excess (deficiency) of revenues over (under) expenditures	(507,652)	(170,538)	26,265	196,803
Other financing sources (uses):				
Refund of prior year's expenditures	37,150	37,150	35,532	(1,618)
Refund of prior year's receipts	(5,615)	(5,615)	(5,615)	-
Transfers (out)	(6,500)	(6,500)	(6,500)	-
Advances in	49,000	49,000	49,000	-
Advances (out)	(55,000)	(55,000)	(55,000)	-
Sale of capital assets	-	-	3,818	3,818
Total other financing sources (uses)	19,035	19,035	21,235	2,200
Net change in fund balance	(488,617)	(151,503)	47,500	199,003
Fund balance at beginning of year	5,895,472	5,895,472	5,895,472	-
Prior year encumbrances appropriated	58,086	58,086	58,086	-
Fund balance at end of year	\$ 5,464,941	\$ 5,802,055	\$ 6,001,058	\$ 199,003

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 1,500	\$ 27,622
Receivables:		
Accounts	1,000	24
Total assets.	2,500	\$ 27,646
Liabilities:		
Due to students.	-	\$ 27,646
Total liabilities	-	\$ 27,646
Net position:		
Held in trust for scholarships	2,500	
Total net position.	\$ 2,500	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 3,500
Total additions.	3,500
Deductions:	
Scholarships awarded	1,501
Change in net position	1,999
Net position at beginning of year.	501
Net position at end of year	\$ 2,500

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 418th largest by total enrollment among the 918 public and community school districts in the State. Average daily membership during fiscal year 2013 was 1,258. The District employed 94 certified employees and 57 non-certified employees.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2013, the District paid \$95,486 to the COG for various services. Financial information can be obtained from the Treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Pioneer Career and Technology Center (PCTC)

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets and deferred outflows of resources 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 deferred outflows of resources and liabilities and deferred inflows of resources are reported as fund balance.

The following is the District's major governmental fund:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted to expenditures for principal and interest.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2013 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. On or before June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2013.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2013.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

During fiscal year 2013, investments were limited to non-negotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exception: nonparticipating investment contracts such as certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment earnings are credited to funds based on Board Policy and State statute. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$42,722, which includes \$4,747 assigned from other District funds.

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

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

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

H. Capital Assets

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2013, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age, were expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

R. Unamortized Deferred Charges

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred outflow of resources.

S. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made for future general fund shortfall. At June 30, 2013, the balance in the budget stabilization reserve was \$653,831. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," and GASB Statement No. 66, "Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. A SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 has changed the presentation of the District's financial statements.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Race to the top	\$ 6,846
Improving teacher quality	62
Miscellaneous federal grants	11

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$7,026,707. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$1,955,225 of the District's bank balance of \$7,322,289 was exposed to custodial risk as discussed below, while \$5,367,064 was covered by the FDIC.

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

C. Investments

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	<u>\$ 80,389</u>	<u>\$ 80,389</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 80,389	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,026,707
Investments	80,389
Cash on hand	<u>400</u>
Total	<u>\$ 7,107,496</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,078,374
Private-purpose trust funds	1,500
Agency fund	<u>27,622</u>
Total	<u>\$ 7,107,496</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Richland and Ashland Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$458,318 in the general fund, \$61,057 in the debt service fund (a nonmajor governmental fund), \$7,030 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$46,008 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$406,629 in the general fund, \$61,386 in the debt service fund (a nonmajor governmental fund), \$7,038 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$47,505 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 114,321,320	92.49	\$ 113,703,320	92.31
Public utility personal	<u>9,287,550</u>	<u>7.51</u>	<u>9,466,570</u>	<u>7.69</u>
Total	<u>\$ 123,608,870</u>	<u>100.00</u>	<u>\$ 123,169,890</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$42.40		\$42.40	
Debt service	3.00		3.00	
Permanent improvement	3.00		3.00	

NOTE 6 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the fiscal year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	<u>\$ 6,500</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) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move debt proceeds to the fund which is required to expend them.

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

- B. Interfund loans receivable/payable consisted of the following at June 30, 2013, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 6,000

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

Interfund loans receivable/payable between governmental funds is eliminated for reporting on the statement of net position.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental activities:

Taxes	\$ 3,090,544
Accounts	6,514
Intergovernmental	169,757
Accrued interest	<u>5,228</u>
 Total	 <u><u>\$ 3,272,043</u></u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/13</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 194,705	\$ -	\$ -	\$ 194,705
Total capital assets, not being depreciated	<u>194,705</u>	<u>-</u>	<u>-</u>	<u>194,705</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	386,220	62,719	-	448,939
Buildings and improvements	30,122,086	20,000	(267,380)	29,874,706
Furniture and equipment	912,038	159,767	(47,652)	1,024,153
Vehicles	<u>1,583,340</u>	<u>87,245</u>	<u>(161,245)</u>	<u>1,509,340</u>
Total capital assets, being depreciated	<u>33,003,684</u>	<u>329,731</u>	<u>(476,277)</u>	<u>32,857,138</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(188,986)	(19,465)	-	(208,451)
Buildings and improvements	(8,511,733)	(576,202)	87,197	(9,000,738)
Furniture and equipment	(596,334)	(84,359)	41,206	(639,487)
Vehicles	<u>(1,190,300)</u>	<u>(101,837)</u>	<u>161,245</u>	<u>(1,130,892)</u>
Total accumulated depreciation	<u>(10,487,353)</u>	<u>(781,863)</u>	<u>289,648</u>	<u>(10,979,568)</u>
Governmental activities capital assets, net	<u><u>\$ 22,711,036</u></u>	<u><u>\$ (452,132)</u></u>	<u><u>\$ (186,629)</u></u>	<u><u>\$ 22,072,275</u></u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 428,900
Special	27,071
Vocational	11,695
<u>Support services:</u>	
Pupil	2,215
Instructional staff	50,817
Board of education	715
Administration	23,740
Fiscal	2,111
Operations and maintenance	43,766
Pupil transportation	103,768
Extracurricular activities	37,074
Food service operations	<u>49,991</u>
Total depreciation expense	<u>\$ 781,863</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	Balance <u>06/30/12</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/13</u>	Amounts Due in <u>One Year</u>
<u>General obligation bonds</u>					
Capital appreciation bonds	\$ 43,862	\$ -	\$ (43,862)	\$ -	\$ -
Accreted interest on capital appreciation bonds	274,508	31,630	(306,138)	-	-
Refunding bonds, series 2012	<u>2,185,000</u>	<u>-</u>	<u>(5,000)</u>	<u>2,180,000</u>	<u>295,000</u>
Total bonds payable	<u>2,503,370</u>	<u>31,630</u>	<u>(355,000)</u>	<u>2,180,000</u>	<u>295,000</u>
<u>Other long-term obligations</u>					
Compensated absences payable	<u>436,701</u>	<u>53,718</u>	<u>(36,781)</u>	<u>453,638</u>	<u>28,119</u>
Total other long-term obligations	<u>436,701</u>	<u>53,718</u>	<u>(36,781)</u>	<u>453,638</u>	<u>28,119</u>
Total governmental activities	<u>\$ 2,940,071</u>	<u>\$ 85,348</u>	<u>\$ (391,781)</u>	<u>\$ 2,633,638</u>	<u>\$ 323,119</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

This issue is comprised of both current interest bonds, par value \$5,195,000, and capital appreciation bonds, par value \$94,618. The interest rates on the current interest bonds range from 4.011% to 5.20%. The capital appreciation bonds matured on December 1, 2011 (approximate initial offering yield at maturity 5.00%) and on December 1, 2012 (approximate initial offering yield at maturity 5.05%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds was \$350,000. During 2012, \$2,185,000 of the series 2001 general obligation bonds was refunded.

Refunding Bonds - Series 2012: On March 6, 2012, the District issued general obligation refunding bonds (Series 2012, refunding bonds). These bonds refunded the \$2,185,000 callable portion of the Series 2001 issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position.

This issue is comprised of current interest bonds, present value \$2,180,000 at June 30, 2013. The capital appreciation bonds mature December 1, 2015 at a redemption price equal to 100% of the principal.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2025.

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$53,691. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$340,564 and resulted in an economic gain of \$223,113.

The following is a summary of the future debt service requirements to maturity for the refunding bonds:

Fiscal Year Year Ended	Series 2012 Current Interest Bonds		
	Principal	Interest	Total
2014	\$ 295,000	\$ 58,739	\$ 353,739
2015	305,000	50,069	355,069
2016	125,000	43,856	168,856
2017	125,000	40,243	165,243
2018	130,000	36,559	166,559
2019 - 2023	715,000	123,042	838,042
2024 - 2025	485,000	21,169	506,169
Total	\$ 2,180,000	\$ 373,677	\$ 2,553,677

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$9,098,454 (including available funds of \$193,164) and an unvoted debt margin of \$123,170.

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the District contracted with Ohio School Plan (Hylant) for property insurance, fleet insurance and inland marine coverage. Coverages provided by Ohio School Plan (Hylant) are as follows:

Property Insurance - replacement cost (\$1,000 deductible)	\$ 50,192,655
Boiler & Machinery - (repair and replacement)	
School Board Errors and Omissions (\$2,500 deductible)	2,000,000
Employee Dishonesty Blanket (\$1,000 deductible)	25,000
Fleet Insurance	3,000,000
Comprehensive (\$1,000 deductible)	actual value
Collision (\$1,000 deductible)	actual value

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction of coverage from the prior year.

B. Workers' Compensation

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

C. Medical Insurance

Beginning January 1, 2012, the District offered a fully-funded medical insurance plan through Medical Mutual of Ohio.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$176,991, \$176,079 and \$157,219, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 11 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$679,480, \$673,622 and \$664,984, respectively; 83.31 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$12,737 made by the District and \$9,098 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**CRESTVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$22,906, \$33,743 and \$46,524, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$9,998, \$10,398 and \$10,117, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$52,268, \$51,817 and \$51,153, respectively; 83.31 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 47,500
Net adjustment for revenue accruals	41,347
Net adjustment for expenditure accruals	(47,008)
Net adjustment for other sources/uses	(27,735)
Funds budgeted elsewhere	2,208
Adjustment for encumbrances	125,130
GAAP basis	\$ 141,442

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund and certain special cost centers of the special trust fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 15 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	Capital <u>Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	205,799
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(48,586)
Excess qualified expenditures from prior years	-
Current year offsets	(334,793)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (177,580)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 16 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General	\$ 105,888
Other governmental	<u>93,893</u>
Total	<u>\$ 199,781</u>

NOTE 17 - SUBSEQUENT EVENT

On July 15, 2013, Scott Will became the District's Superintendent.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Grant Year	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program	10.555	2013	\$ 45,287	\$ 45,287
Cash Assistance				
School Breakfast Program	10.553	2013	62,599	62,599
National School Lunch Program	10.555	2013	207,923	207,923
Total Child Nutrition Cluster/U.S. Department of Agriculture			<u>315,809</u>	<u>315,809</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I:				
Title I Grants to Local Educational Agencies	84.010	2013	379,533	376,580
		2012	<u>25,777</u>	<u>25,787</u>
Total Title I			405,310	402,367
Special Education - Grants to States	84.027	2013	248,130	247,718
		2012	<u>28,692</u>	<u>30,428</u>
Total Special Education			276,822	278,146
ARRA Race to the Top Incentive Grants	84.395	2013	100,826	106,758
Education Jobs	84.410	2013	61,783	62,318
Improving Teacher Quality State Grants	84.367	2013	56,594	55,955
		2012	<u>11,403</u>	<u>11,809</u>
Total Improving Teacher Quality State Grants			67,997	67,764
Rural Education	84.358	2013	<u>20,049</u>	<u>20,049</u>
Total U.S. Department of Education			<u>932,787</u>	<u>937,402</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,248,596</u>	<u>\$ 1,253,211</u>

The accompanying notes are an integral part of this schedule.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Crestview Local School District
Richland County
1575 State Route 96
Ashland, Ohio 44805

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Crestview Local School District, Richland County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2014



Dave Yost • Auditor of State

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

Crestview Local School District
Richland County
1575 State Route 96
Ashland, Ohio 44805

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Crestview Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Crestview Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings and questioned costs identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Race to the Top

As described in finding 2013-001 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Allowable Costs/Cost Principles applicable to its Race to the Top major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Race to the Top

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Race to the Top* paragraph, the Crestview Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Race to the Top major federal program for the year ended June 30, 2013.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Crestview Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program identified in the summary of auditor's results of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

The District's response to our noncompliance finding is described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2014

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**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified – Title I Grants to States Qualified – ARRA Race to the Top
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I, CFDA 84.010 ARRA Race to the Top, CFDA 84.395
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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FINDING 2013-001

CFDA Title and Number	ARRA Race to the Top, CFDA# 84.395
Federal Award Number / Year	2013
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

Allowable Costs/Cost Principles – Personnel Activity Reports – Noncompliance Finding / Questioned Cost / Material Weakness

2 C.F.R. Part 225, Appendix B (8)(h) provides, in part, that salaries and wages shall be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of the governmental unit. When employees work on multiple activities or cost objectives, a distribution of compensation shall be supported by personnel activity reports or equivalent documentation which meets the standards of subsection 8.h(5) of this appendix, unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency, that reflect the actual activity and total activity of the employees, unless certain time study requirements are met.

During fiscal year 2013, the District did not maintain proper personnel activity reports to support payroll expenses for the Formative Assessment in Middle School (FAMS) Coach, resulting in a questioned cost totaling \$16,016.

Failure to properly complete personnel activity reports could result in unallowable charges made to Federal grants.

We recommend the District maintain completed personnel activity reports to support all payroll related charges for federal grants, as required by federal regulations. We also recommend the District establish procedures to ensure that personnel activity reports are appropriately used, reviewed, and maintained to support all payroll related charges for Federal grants, as required by federal regulations.

Officials' Response:

While we met the guidelines to be allocated funds on behalf of the Ohio Department Education and also provided an effort and work summary of our coach, we were found non-compliant and will be audited more extensively next year because we did not have written approval of the FAMS coach position payment by our previous superintendent.

Crestview Local has prided itself in our compliance to budgetary mandates and requirements and this is shown in the results of previous audits and the extensive lengths the Office of the Treasurer employs to hold our district accountable for each and every dollar spent to provide our students instruction. We do not agree, nor do we feel that this non-compliance finding is warranted and wish to express our opinion through this correspondence. While there are many schools that have struggled to balance budgets and have misappropriated funds at various times, Crestview Local Schools has not, nor will be ever knowingly misuse or misappropriate funds.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

FINDING 2013-001 (Continued)

Allowable Costs/Cost Principles – Personnel Activity Reports – Noncompliance Finding / Questioned Cost / Material Weakness (Continued)

Auditor of State’s Conclusion

The Ohio Department of Education (ODE) required FAMS Pilot Coaches to sign certain assurances related to the grant. One of these assurances stated “Pilot Coaches are expected to document work performed, maintain schedules, and complete all other program requirements.” We acknowledge effort and work summaries were completed by the FAMS coach and submitted to ODE in order to demonstrate work performed. However, these effort and work summaries did not account for the total activity for which the employee was compensated, did not coincide with one or more pay periods, and were not signed by the employee as required by 2 C.F.R. Part 225, Appendix B (8)(h)(5). Additionally, the effort and work summaries were not approved by the FAMS coach supervisor. Based upon the preceding facts, we feel the reporting of this issue to be accurate.

**CRESTVIEW LOCAL SCHOOL DISTRICT
RICHLAND COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	Personnel who work on multiple activities and are compensated with federal funds will complete a time sheet or activity report documenting time and effort allocated to the federal fund. Documentation will be approved and signed by the Building Principal or Superintendent.	Begin March 2014	Principal, Superintendent, Treasurer



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CRESTVIEW LOCAL SCHOOL DISTRICT

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 13, 2014**