



**Auditor of State  
Betty Montgomery**



**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Crestwood Local School District, Portage County, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining Fund information of the Crestwood Local School District, Portage County, as of June 30, 2003, and the respective changes in financial position, thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



**Betty Montgomery**  
Auditor of State

December 9, 2003

**Crestwood Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

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This discussion and analysis of Crestwood Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the accompanying notes to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

- Net assets of governmental activities increased \$9,715,394, representing a 90 percent increase from 2002.
- General revenues accounted for \$28,577,630 in revenue or 91 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$2,478,875 or 8 percent of total revenues of \$31,163,529.
- Total assets of governmental activities increased by \$7,876,015. The largest portion of this increase was from funds received from the State for construction on new classroom facilities. These funds will be needed as the project progresses. Most of the unspent funds were invested in federal agency securities at year-end.
- The School District had \$21,310,652 in expenses related to governmental activities; only \$2,478,875 of these expenses was offset by program specific charges for services, grants, contributions and interest. General and extraordinary revenues of \$28,684,654 were adequate to provide for these programs.
- Capital outlay additions of \$4,727,774 consisted primarily of \$4,718,761 in construction in progress for new classroom facility buildings. The construction project is financed from proceeds received from the fiscal year 2000 bond issue and state matching contributions. The bonds will be repaid from a real estate tax levy, which was approved by the voters in November 2000.

**Using this Annual Financial Report**

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

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

**Crestwood Local School District**  
Management's Discussion and Analysis  
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**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The statement of net assets and the statement of activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

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

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



**Crestwood Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

*Table 1*  
*Net Assets*

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
<b>Assets</b>		
<i>Current and other assets</i>	\$ 26,819,866	\$ 23,487,155
<i>Capital assets, net of depreciation</i>	<u>11,708,322</u>	<u>7,165,018</u>
<i>Total assets</i>	<u>38,528,188</u>	<u>30,652,173</u>
<b>Liabilities</b>		
<i>Long-term liabilities</i>	9,251,247	9,223,997
<i>Other liabilities</i>	<u>8,791,792</u>	<u>10,658,961</u>
<i>Total liabilities</i>	<u>18,043,039</u>	<u>19,882,958</u>
<b>Net Assets</b>		
<i>Invested in capital assets, net of debt</i>	11,897,873	7,052,270
<i>Restricted</i>	8,004,691	2,377,406
<i>Unrestricted</i>	<u>582,585</u>	<u>1,339,539</u>
<i>Total net assets</i>	<u>\$ 20,395,149</u>	<u>\$ 10,769,215</u>

One of the most significant causes for the increase in total assets, which also has caused the increase in the restricted net asset amount, was the receipt of \$9,595,588 in State funds for the construction of classroom facilities in the School District. A significant portion of these unspent proceeds were invested in federal agency securities at year-end. Expenses for the same construction project helped to offset the net increase in the amount of current and other assets on hand. These expenses of \$4,718,761 have been recognized as construction in progress, which is the primary cause for the increase in capital assets, net of depreciation. As of year-end, all construction costs reported have been funded by proceeds received on the issuance of Classroom Facility Bonds issued in fiscal year 2002.

Table 2 reflects the changes in net assets for fiscal year 2003 compared to 2002:

**Crestwood Local School District**  
Management's Discussion and Analysis  
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*Table 2*  
*Changes in Net Assets*

	<i>Governmental Activities</i>	
	<u>2003</u>	<u>2002</u>
<b>Revenues</b>		
<i>Program revenues</i>		
Charges for services	\$ 1,161,061	\$ 1,446,022
Operating grants, contributions and interest	1,085,815	1,118,676
Capital grants and contributions	231,999	277,164
<i>General revenues</i>		
Property taxes	6,966,748	6,598,411
Grants and entitlements	21,491,965	12,452,814
Contributions to permanent fund	-	50
Investment earnings	27,786	44,805
Miscellaneous	91,131	135,282
Total revenues	<u>31,056,505</u>	<u>22,073,224</u>
<b>Program Expenses</b>		
<i>Instruction</i>		
Regular	8,313,699	7,917,376
Special	2,223,254	2,061,988
Vocational	319,678	257,433
Adult/continuing	-	3,502
Other	565,896	539,810
<i>Support services</i>		
Pupils	962,944	920,865
Instructional staff	1,303,614	1,098,419
Board of education	6,424	7,329
Administration	2,056,663	1,850,081
Fiscal	453,752	397,823
Business	6,439	21,546
Operation and maintenance of plant	1,682,975	1,717,668
Pupil transportation	1,672,865	1,486,204
Central	40,069	63,994
Operation non-instructional services	121,804	101,967
Extracurricular activities	468,584	474,432
Food service operations	712,751	660,518
Interest and fiscal charges	386,818	351,778
Loss on disposal of capital assets	12,423	38,302
Total expenses	<u>21,310,652</u>	<u>19,971,035</u>
Excess before special and extraordinary items	9,745,853	2,102,189
Special item - write off of receivables	(136,943)	-
Extraordinary item - refund of real estate appraisal fees	107,024	-
Increase in net assets	<u>\$ 9,715,934</u>	<u>\$ 2,102,189</u>

**Crestwood Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

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***Governmental Activities***

The primary source of the increase in revenues, were monies received from the State for the construction of classroom facilities. Use of these funds will be expended in subsequent periods as the construction project progresses.

Instructional expenses of the School District include salaries and benefits for instructional staff as well as textbooks and instructional supplies and materials. These expenses totaled \$11,422,527, or 54% of the total program expenses of the School District. These expenses increased \$642,418 over the prior year due primarily to increases in salaries and benefits.

Support services expenses for the pupils and instruction staff programs totaled \$2,266,558 in the current year, or 11% of the total program expenses of the School District. These expenses include library, guidance, speech and hearing, and psychological services. The increase in expenses over prior year in the amount of \$247,274 is attributed mainly to increases in salaries and benefits.

Administration expenses of the School District include services of the Superintendent, Treasurer and Principals' offices as well as public relations activities. Current year administrative expenses were \$2,056,663, which represents nearly 10% of the total program expenses. Expenses of this School District program increased \$206,582 over the prior year due to increases in legal fees, county auditor and treasurer's fees as well as increases in salaries and benefits.

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

**Crestwood Local School District**  
Management's Discussion and Analysis  
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*Table 3*  
*Governmental Activities*

	<i>Total Cost of Services <u>2003</u></i>	<i>Total Cost of Services <u>2002</u></i>	<i>Net Cost of Services <u>2003</u></i>	<i>Net Cost of Services <u>2002</u></i>
<b>Program Expenses</b>				
<i>Instruction</i>				
Regular	\$ 8,313,699	\$ 7,917,376	\$ (8,089,186)	\$ (7,573,836)
Special	2,223,254	2,061,988	(1,439,902)	(993,493)
Vocational	319,678	257,433	(319,436)	(249,606)
Adult/continuing	-	3,502	-	4,090
Other	565,896	539,810	(565,896)	(539,810)
<i>Support services</i>				
Pupils	962,944	920,865	(861,400)	(833,852)
Instructional staff	1,303,614	1,098,419	(1,170,207)	(1,034,889)
Board of education	6,424	7,329	(6,424)	(7,329)
Administration	2,056,663	1,850,081	(2,043,242)	(1,843,081)
Fiscal	453,752	397,823	(453,752)	(397,823)
Business	6,439	21,546	(6,439)	(21,546)
Operation and maintenance of plant	1,682,975	1,717,668	(1,444,637)	(1,438,254)
Pupil transportation	1,672,865	1,486,204	(1,621,885)	(1,429,557)
Central	40,069	63,994	(26,540)	(53,910)
Operation non-instructional services	121,804	101,967	3,590	10,104
Extracurricular activities	468,584	474,432	(350,727)	(368,141)
Food service operations	712,751	660,518	(36,453)	20,059
Interest and fiscal charges	386,818	351,778	(386,818)	(339,997)
Loss on disposal of capital assets	12,423	38,302	(12,423)	(38,302)
<i>Total expenses</i>	<u>\$ 21,310,652</u>	<u>\$ 19,971,035</u>	<u>\$ (18,831,777)</u>	<u>\$ (17,129,173)</u>

Crestwood Local School District depends on both property taxes and State funding which fund over 88% of the program expenses of the School District. The voters of the School District passed 2 five-year renewal-operating levies (an 8.75-mill levy in May 2002 and a 4.9-mill levy in November 2001). The annual revenue from these levies approximates \$1,890,000.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$31,120,090, and total expenditures were \$26,017,019. The most significant change in fund balance for the year was in the Classroom Facilities capital projects fund, which increased \$5,422,629. This increase was attributed to the State funds received to help finance the costs of the classroom facility project as noted earlier. The School District continues to be financially stable.

**Crestwood Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

***General Fund Budgeting Highlights***

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

During fiscal year 2003, the School District amended its appropriation budget numerous times, however none were significant. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue estimate was \$18,899,010, which was higher than the original budget estimate of \$17,882,365. Most of this \$1,016,645 difference was due to conservative estimates and a change from the prior year in the collection of tuition for non-resident students in the State Foundation program. Crestwood Local Schools has a large population of non-resident special education students.

The general fund's final expenditure estimate of \$21,055,966 was increased over the fiscal year, with the final amount higher than the original budget estimate of \$20,039,321. Most of this \$1,016,645 difference was due to adjustments in the budget related to increased revenues. Although the final budgeted expenditure amount was increased over the original budget, actual expenditure amounts were more in line with the original budget. Actual expenditures and other financing uses total \$19,320,591, or \$1,735,375 lower than the final amount budgeted. The final budgeted amount represents an amount equal to the amount of available resources that may be expended.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2003, the School District had \$11,708,322 invested in land and improvements, buildings, furniture and equipment, vehicles and construction in progress. Table 4 shows fiscal year 2003 balances compared to fiscal year 2002:

*Table 4*  
*Capital Assets at June 30, 2003*  
*(Net of Depreciation)*

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
<i>Land and improvements</i>	\$ 1,780,506	\$ 1,759,106
<i>Buildings</i>	2,354,745	2,439,866
<i>Furniture and equipment</i>	974,567	1,043,447
<i>Vehicles</i>	1,185,386	1,228,242
<i>Construction in progress</i>	<u>5,413,118</u>	<u>694,357</u>
<i>Total capital assets</i>	<u>\$ 11,708,322</u>	<u>\$ 7,165,018</u>

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Management's Discussion and Analysis  
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The primary increase occurred in construction in progress as expenses are incurred with the building of two new elementary schools in the School District. The School District's capital budget calls for it to spend another \$14,996,073 in construction costs in fiscal year 2004. The total projects costs are budgeted at \$19,922,492, with a completion date set for June 2004. See Note 7 to the basic financial statements for detail on the School District's capital assets.

***Debt***

At June 30, 2003 the School District had \$8,244,000 in bonds outstanding with \$280,000 due within one year. Table 5 summarizes the bonds and notes outstanding as of the end of the fiscal year as compared to 2002:

*Table 5*  
*Outstanding Debt, at Fiscal Year End*

	<i>Governmental Activities <u>2003</u></i>	<i>Governmental Activities <u>2002</u></i>
<i>2001 School Improvement Bonds</i>	<i>\$ 8,044,000</i>	<i>\$ 8,309,000</i>
<i>2001 Site Acquisition Bonds</i>	<i>200,000</i>	<i>205,000</i>
<i>EPA Asbestos Removal Loan</i>	<i>69,013</i>	<i>75,914</i>
<i>Capital Leases</i>	<i><u>97,309</u></i>	<i><u>122,707</u></i>
<i>Total outstanding debt</i>	<i><u><u>\$ 8,410,322</u></u></i>	<i><u><u>\$ 8,712,621</u></u></i>

In fiscal year 2002, the School District issued bonds for the site acquisition and construction of classroom facilities in the amount of \$210,000 and \$8,474,000 respectively. Each of the bond issues will mature on December 1, 2023. All bonds are general obligation bonds for which the full faith and credit of the School District is pledged. These bonds will be paid from property taxes in the Bond Retirement debt service fund.

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

At June 30, 2003, the School District's overall legal debt margin was \$14,274,031 with an unvoted debt margin of \$244,809. Moody's Investors Service last rated the School District in April 2002 with a rating of Aaa. The rating was obtained as a result of the purchase of an insurance policy provided by Financial Guaranty Insurance Company. See Note 14 to the basic financial statements for detail on the School District's long-term obligations.

**Crestwood Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

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**Current Issues Affecting Financial Condition**

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

The district had significant outstanding contractual commitments in the amount of \$11,450,857 to the contractors building the two new elementary buildings. This obligation is fully funded by bond proceeds and additional state contributions. See Note 19 to the basic financial statements for detail on all of the School District's contractual commitments.

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

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

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

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

**Contacting the School District's Financial Management**

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

***Crestwood Local School District***

**Statement of Net Assets**

**June 30, 2003**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 9,788,426
Cash and cash equivalents:	
In segregated accounts	2,110,684
Investments in segregated accounts	6,951,960
Receivables:	
Taxes	6,854,755
Accounts	3,882
Intergovernmental	918,145
Accrued interest	30,475
Due from agency fund	27,000
Prepaid items	94,879
Inventory held for resale	31,918
Materials and supplies inventory	7,742
Capital assets:	
Land and construction in progress	7,193,624
Depreciable capital assets, net	4,514,698
Total capital assets	<u>11,708,322</u>
Total assets	<u>38,528,188</u>
<u>Liabilities:</u>	
Accounts payable	154,125
Accrued wages	1,589,792
Compensated absences payable	16,978
Intergovernmental payable	596,045
Deferred revenue	6,419,195
Accrued interest payable	15,657
Long-term liabilities:	
Due within one year	372,558
Due in more than one year	8,878,689
Total liabilities	<u>18,043,039</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	11,897,873
Restricted for:	
Capital projects	6,900,426
Debt service	485,195
Set asides	106,781
Permanent fund purpose - scholarships	
Expendable	4,587
Nonexpendable	24,700
Other purposes	483,002
Unrestricted	582,585
Total net assets	<u>\$ 20,485,149</u>

See accompanying notes to the basic financial statements.



**Crestwood Local School District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2003**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Revenues and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 8,313,699	\$ 101,744	\$ 122,769	\$ -	\$ (8,089,186)
Special	2,223,254	509,688	273,664	-	(1,439,902)
Vocational	319,678	242	-	-	(319,436)
Other	565,896	-	-	-	(565,896)
Support services:					
Pupils	962,944	-	101,544	-	(861,400)
Instructional staff	1,303,614	-	133,407	-	(1,170,207)
Board of education	6,424	-	-	-	(6,424)
Administration	2,056,663	-	13,421	-	(2,043,242)
Fiscal	453,752	-	-	-	(453,752)
Business	6,439	-	-	-	(6,439)
Operation and maintenance of plant	1,682,975	6,339	-	231,999	(1,444,637)
Pupil transportation	1,672,865	-	50,980	-	(1,621,885)
Central	40,069	-	13,529	-	(26,540)
Operation of non-instructional services	121,804	-	125,394	-	3,590
Extracurricular activities	468,584	109,114	8,743	-	(350,727)
Food service operations	712,751	433,934	242,364	-	(36,453)
Interest and fiscal charges	386,818	-	-	-	(386,818)
Loss on disposal of capital assets	12,423	-	-	-	(12,423)
<b>Total governmental activities</b>	<b>\$ 21,310,652</b>	<b>\$ 1,161,061</b>	<b>\$ 1,085,815</b>	<b>\$ 231,999</b>	<b>(18,831,777)</b>

General Revenues:

Property taxes levied for:

General purposes	5,948,332
Debt service	605,302
Capital outlay	413,114
Grants and entitlements not restricted to specific programs	21,491,965
Investment earnings	27,786
Miscellaneous	91,131
Special item - write off of receivables	(136,943)
Extraordinary item - refund of real estate appraisal fees	107,024
<b>Total general revenues, special item and extraordinary item</b>	<b>28,547,711</b>

Change in net assets 9,715,934

Net assets beginning of year 10,769,215

Net assets end of year \$ 20,485,149

See accompanying notes to the basic financial statements..

**Crestwood Local School District**

**Balance Sheet**

**Governmental Funds**

**June 30, 2003**

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 2,183,064	\$ 5,988,073	\$ 1,510,508	\$ 9,681,645
Cash and cash equivalents:				
In segregated accounts	-	2,110,684	-	2,110,684
Investments in segregated accounts	-	6,924,960	27,000	6,951,960
Receivables:				
Taxes	5,723,531	-	1,131,224	6,854,755
Accounts	3,882	-	-	3,882
Intergovernmental	809,891	-	108,254	918,145
Interfund	112,379	-	-	112,379
Accrued interest	-	30,413	62	30,475
Inventory held for resale	-	-	31,918	31,918
Materials and supplies inventory	4,196	-	3,546	7,742
Prepaid items	94,879	-	-	94,879
Equity in pooled cash and cash equivalents	106,781	-	-	106,781
<b>Total assets</b>	<b>9,038,603</b>	<b>15,054,130</b>	<b>2,812,512</b>	<b>26,905,245</b>
<u>Liabilities:</u>				
Accounts payable	\$ 132,019	\$ 11,521	\$ 10,585	\$ 154,125
Accrued wages	1,487,885	-	101,907	1,589,792
Interfund payable	-	-	85,379	85,379
Intergovernmental payable	387,177	-	17,857	405,034
Compensated absences payable	16,978	-	-	16,978
Deferred revenue	6,339,161	-	1,132,399	7,471,560
<b>Total liabilities</b>	<b>8,363,220</b>	<b>11,521</b>	<b>1,348,127</b>	<b>9,722,868</b>
<u>Fund balances:</u>				
Reserved:				
Reserved for encumbrances	292,209	11,439,336	111,841	404,050
Reserved for prepaids	94,879	-	-	94,879
Reserved for textbooks and instructional materials	105,281	-	-	105,281
Reserved for bus purchases	1,500	-	-	1,500
Reserved for endowments	-	-	24,700	24,700
Unreserved, undesignated, reported in:				
General fund	181,514	-	-	3,784,787
Special revenue funds	-	-	423,182	423,182
Debt service fund	-	-	482,209	482,209
Capital projects fund	-	3,603,273	417,866	11,857,202
Permanent fund	-	-	4,587	4,587
<b>Total fund balances</b>	<b>675,383</b>	<b>15,042,609</b>	<b>1,464,385</b>	<b>17,182,377</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,038,603</b>	<b>\$ 15,054,130</b>	<b>\$ 2,812,512</b>	<b>\$ 26,905,245</b>

See accompanying notes to the basic financial statements.

***Crestwood Local School District***  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**For the Fiscal Year Ended June 30, 2003**

Total governmental funds balances		\$ 17,182,377
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,708,322
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 223,619	
Intergovernmental	41,966	
Charges for services	786,780	
Total	<u>1,052,365</u>	1,052,365
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and are therefore not reported in the funds.		(191,011)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (8,244,000)	
Asbestos removal loan	(69,013)	
Compensated absences	(840,925)	
Capital leases	(97,309)	
Accrued interest payable	(15,657)	
Total	<u>(9,266,904)</u>	(9,266,904)
Net assets of governmental activities		<u>\$ 20,485,149</u>

See accompanying notes to the basic financial statements..

**Crestwood Local School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2003**

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Taxes	\$ 5,839,995	\$ -	\$ 1,133,668	\$ 6,973,663
Intergovernmental	11,974,802	9,595,588	1,071,914	22,642,304
Interest	27,786	231,999	1,093	260,878
Tuition and fees	528,501	-	62,595	591,096
Extracurricular activities	-	-	109,114	109,114
Gifts and donations	2,600	-	7,762	10,362
Charges for services	242	-	433,934	434,176
Rent	6,339	-	-	6,339
Miscellaneous	14,231	14,350	63,577	92,158
Total revenues	<u>18,394,496</u>	<u>9,841,937</u>	<u>2,883,657</u>	<u>31,120,090</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,040,697	-	226,112	8,266,809
Special	1,896,887	-	305,103	2,201,990
Vocational	316,761	-	-	316,761
Other	565,896	-	-	565,896
Support services:				
Pupils	854,034	-	99,887	953,921
Instructional staff	1,151,850	-	116,843	1,268,693
Board of education	6,424	-	-	6,424
Administration	2,023,023	-	7,526	2,030,549
Fiscal	429,473	-	28,643	458,116
Business	6,439	-	-	6,439
Operation and maintenance of plant	1,688,618	-	8,310	1,696,928
Pupil transportation	1,613,696	-	-	1,613,696
Central	27,568	-	12,501	40,069
Operation of non-instructional services	-	-	120,999	120,999
Operation of food services	-	-	590,861	590,861
Extracurricular activities	291,344	-	164,468	455,812
Capital outlay	-	4,639,771	88,003	4,727,774
Debt service:				
Principal retirement	31,563	-	276,901	308,464
Interest and fiscal charges	10,478	-	376,340	386,818
Total expenditures	<u>18,954,751</u>	<u>4,639,771</u>	<u>2,422,497</u>	<u>26,017,019</u>
Excess of revenues over (under) expenditures	<u>(560,255)</u>	<u>5,202,166</u>	<u>461,160</u>	<u>5,103,071</u>
<u>Other financing sources</u>				
Inception of capital lease	6,165	-	-	6,165
Transfers in	-	220,463	38,401	258,864
Transfers out	(38,401)	-	(220,463)	(258,864)
Total other financing sources (uses)	<u>(32,236)</u>	<u>220,463</u>	<u>(182,062)</u>	<u>6,165</u>
<u>Extraordinary item</u>				
Refund of real estate appraisal fees	107,024	-	-	107,024
Net change in fund balances	(485,467)	5,422,629	279,098	5,216,260
Fund balances beginning of year	1,160,850	9,619,980	1,185,287	11,966,117
Fund balances end of year	<u>\$ 675,383</u>	<u>\$ 15,042,609</u>	<u>\$ 1,464,385</u>	<u>\$ 17,182,377</u>

See accompanying notes to the basic financial statements.

***Crestwood Local School District***

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2003**

Net change in fund balances - total governmental funds \$ 5,216,260

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

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

In the current period, these amounts are:

Capital asset additions	\$	4,917,286	
Depreciation expense		(361,559)	
Excess of capital outlay over depreciation expense			4,555,727

The proceeds from the sale of capital assets are reported as a source of financing in the governmental  
funds. However, the cost of the capital assets sold is removed from the capital assets  
account in the statement of net assets and offset against the sales proceeds resulting in a  
"loss on the disposal of capital assets" in the statement of activities. Thus, more revenue  
is reported in the governmental funds and more expenses in the statement of activities. (12,423)

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

Property taxes	\$	(6,915)	
Intergovernmental		(191,694)	
Charges for services		20,336	
Miscellaneous		(1,027)	
Net change in deferred revenues during the year			(179,300)

Repayment of debt and capital lease principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the statement of net assets. 308,464

In the statement of activities, a loss on the write off of outstanding receivables is reported,  
whereas in the governmental funds, the receivables written off were deferred. (136,943)

Some capital additions were financed through capital leases. In governmental funds, a capital  
lease arrangement is considered a source of financing, but in the statements of net assets,  
the lease obligation is reported as a liability. (6,165)

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

Decrease in compensated absences	\$	11,198	
Increase in pension obligation		(40,884)	
Total additional expenditures			(29,686)

Change in net assets of governmental activities \$ 9,715,934

See accompanying notes to the basic financial statements..

**Crestwood Local School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-**  
**Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 5,575,507	\$ 5,865,969	\$ 5,865,969	\$ -
Intergovernmental	11,073,458	11,805,629	11,974,802	169,173
Interest	65,000	65,000	27,786	(37,214)
Tuition and fees	998,400	878,879	918,028	39,149
Gifts and donations	-	-	2,600	2,600
Charges for services	-	-	242	242
Rent	-	-	6,339	6,339
Miscellaneous	70,000	70,000	12,600	(57,400)
Total revenues	<u>17,782,365</u>	<u>18,685,477</u>	<u>18,808,366</u>	<u>122,889</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,700,366	9,670,790	8,172,673	1,498,117
Special	1,722,091	1,908,009	1,908,009	-
Vocational	267,896	317,566	317,566	-
Other	539,548	574,219	574,219	-
Support services:				
Pupils	906,630	927,203	853,091	74,112
Instructional staff	977,370	1,135,836	1,135,836	-
Board of education	7,265	7,638	6,424	1,214
Administration	1,861,737	2,068,401	2,068,368	33
Fiscal	363,028	425,567	425,567	-
Business	21,135	22,221	6,439	15,782
Operation and maintenance of plant	1,859,803	1,891,627	1,753,749	137,878
Pupil transportation	1,546,349	1,598,267	1,590,028	8,239
Central	51,182	27,578	27,578	-
Extracurricular activities	295,115	292,629	292,629	-
Capital outlay	232,124	2,000	2,000	-
Total expenditures	<u>19,351,640</u>	<u>20,869,551</u>	<u>19,134,176</u>	<u>1,735,375</u>
Excess of revenues over (under) expenditures	<u>(1,569,275)</u>	<u>(2,184,074)</u>	<u>(325,810)</u>	<u>1,858,264</u>
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	-	-	555	555
Refund of prior year receipts	(17,487)	-	-	-
Advances in	100,000	213,533	213,533	-
Advances out	(164,901)	(148,014)	(148,014)	-
Transfers out	(505,293)	(38,401)	(38,401)	-
Total other financing sources (uses)	<u>(587,681)</u>	<u>27,118</u>	<u>27,673</u>	<u>555</u>
Net change in fund balance	(2,156,956)	(2,156,956)	(298,137)	1,858,819
Fund balances at beginning of year	1,907,663	1,907,663	1,907,663	-
Prior year encumbrances appropriated	249,297	249,297	249,297	-
Fund balances at end of year	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 1,858,823</u>	<u>\$ 1,858,819</u>

See accompanying notes to the basic financial statements.

***Crestwood Local School District***  
**Statement of Fiduciary Net Assets and Liabilities**  
**Fiduciary Funds**  
**June 30, 2003**

	Private Purpose Trust	
	Scholarship	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 931	\$ 77,082
Investments in segregated accounts	11,149	-
Receivables:		
Accrued interest	97	-
Total assets	<u>12,177</u>	<u>\$ 77,082</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 714
Interfund payable	-	27,000
Due to students	-	49,368
Total liabilities	<u>-</u>	<u>\$ 77,082</u>
<u>Net assets:</u>		
Held in trust for scholarships	<u>\$ 12,177</u>	

See accompanying notes to the basic financial statements.

***Crestwood Local School District***  
**Statement of Changes in Fiduciary Net Assets**  
**Private Purpose Trust Fund**  
**For the Fiscal Year Ended June 30, 2003**

	Private Purpose Trust
	<u>Scholarships</u>
<u>Additions:</u>	
Interest	<u>\$ 214</u>
<u>Deductions:</u>	
Other expenses	<u>567</u>
Change in net assets	(353)
Net assets beginning of year	<u>12,530</u>
Net assets end of year	<u><u>\$ 12,177</u></u>

See accompanying notes to the basic financial statements.



**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 149 non-certificated and 196 certificated full time teaching personnel, including 18 administrators, who provide services to 2,686 students and other community members.

**Reporting Entity**

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

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

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

The School District is associated with the Stark Portage Area Computer Consortium, the Portage County School Consortium and the Maplewood Career and Technical Center that are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 15.

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

**B. Fund Accounting**

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

Governmental Funds:

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

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

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

Proprietary Funds:

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

Fiduciary Fund Types:

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

**C. Measurement Focus**

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

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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

E. Budgetary Data

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

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented on the statement of net assets in the account, "Equity in pooled cash and cash equivalents". During the current fiscal year investments were limited to certificates of deposit, overnight repurchase agreements, notes of federal governmental agencies, and STAR Ohio. All investments of the School District had a maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 4.

The District invested funds in STAR Ohio during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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

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

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the General fund include the amount required by State statute to be set aside to create a reserve for the purchase of textbook and instructional materials and buses. See Note 17 for additional information regarding statutory reserves.

J. Capital Assets

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

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

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

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

K. Interfund balances

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

L. Compensated absences

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

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

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

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

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

M. Accrued liabilities and long-term obligations

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

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

N. Net assets

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

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

O. Fund balance reserves

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

P. Interfund transactions

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



**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

Q. Estimates

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

R. Special and extraordinary items

Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence, however not within the control of the School District. See Note 20 for additional information regarding these items reported by the School District.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

<i>Net Change in Fund Balance</i>	
	<u>General</u>
<i>GAAP Basis</i>	\$ (485,467)
<i>Revenue Accruals</i>	514,769
<i>Expenditure Accruals</i>	103,591
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at year end</i>	<u>(431,030)</u>
<i>Budget Basis</i>	<u><u>\$ (298,137)</u></u>

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim moneys available for investment at any one time.

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

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

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 School District had \$1,945 in undeposited cash on hand, which is included on the basic financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits:

At fiscal year end the carrying amount of the School District's deposits and petty cash totaled (\$1,171,720) and the bank balances of the deposits totaled \$379,161. Of the bank balance, \$158,477 was covered by federal depository insurance. \$220,684 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

C. Investments:

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

All interest is legally required to be placed in the general fund, the Food Service special revenue fund Public School Support special revenue fund, the Classroom Facilities capital projects fund, the permanent fund and the private purpose trust fund. Due to these provisions, the general fund received \$27,786, of which \$10,066 was assigned from other School District funds.

	<u>Category 3</u>	<u>Fair Value</u>
<u>Categorized Investments</u>		
<i>Federal agencies securities</i>	\$ 6,924,960	\$ 6,924,960
<i>Federated Bond Fund</i>	3,644	3,644
<i>Repurchase Agreements</i>	<u>11,094,691</u>	<u>11,094,691</u>
<i>Total Categorized</i>	<u>\$ 18,023,295</u>	<u>18,023,295</u>
 <u>Noncategorized Investments</u>		
<i>STAR Ohio</i>		<u>2,086,712</u>
<i>Total Investments</i>		<u>\$ 20,110,007</u>

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
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The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statements No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting". A reconciliation between the classifications of cash investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<i>Equivalents/ <u>Deposits</u></i>	<i><u>Investments</u></i>
<i>GASB Statement No. 9</i>	\$ 11,977,123	\$ 6,963,109
<i>Investments which are part of a cash management pool:</i>		
<i>Repurchase Agreement</i>	(11,094,691)	11,094,691
<i>STAR Ohio</i>	(2,086,712)	2,086,712
<i>Certificates of Deposits with an initial maturity of more than 3 months</i>	34,505	(34,505)
<i>Cash on hand</i>	<u>(1,945)</u>	<u>-</u>
<i>GASB Statement No. 3</i>	<u>\$ (1,171,720)</u>	<u>\$ 20,110,007</u>

**NOTE 5 - PROPERTY TAXES**

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

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

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

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

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$175,096 in the general fund, \$3,730 in the Classroom Facility Maintenance special revenue fund, \$20,400 in the Bond Retirement debt service fund, and \$12,715 in the Permanent Improvement capital projects fund. These advances are recognized as revenue on the fund financial statements.

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

<u>Property Category</u>	<u>2001 Assessed Value</u>	<u>2002 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 193,932,150	\$ 198,986,340
Commercial and Industrial	19,068,644	18,087,796
Public Utilities	6,270	5,500
 <u>Tangible Personal Property</u>		
General	15,596,951	16,260,548
Public Utilities	11,539,590	11,469,110
Total	<u>\$ 240,143,605</u>	<u>\$ 244,809,294</u>

**NOTE 6 - RECEIVABLES**

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

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
General fund	\$ 809,891
IDEA grant	57,107
Title I	31,923
Title V	2,851
Drug free school grant	6,933
Title II-A	8,670
Miscellaneous federal grants	770
Total intergovernmental receivable	<u>\$ 918,145</u>

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2003</u>
<i>Capital assets, not being depreciated:</i>				
Land and improvements	\$ 1,746,806	\$ 33,700	\$ -	\$ 1,780,506
Construction in progress	<u>694,357</u>	<u>4,718,761</u>	<u>-</u>	<u>5,413,118</u>
Total capital assets, not being depreciated	<u>2,441,163</u>	<u>4,752,461</u>	<u>-</u>	<u>7,193,624</u>
<i>Capital assets, being depreciated:</i>				
Buildings	6,445,672	-	-	6,445,672
Furniture and equipment	2,594,335	42,063	(18,276)	2,618,122
Vehicles	<u>2,461,774</u>	<u>122,762</u>	<u>(91,512)</u>	<u>2,493,024</u>
Total capital assets, being depreciated	<u>11,501,781</u>	<u>164,825</u>	<u>(109,788)</u>	<u>11,556,818</u>
<i>Less: Accumulated depreciation</i>				
Buildings	(4,005,806)	(85,121)	-	(4,090,927)
Furniture and equipment	(1,538,588)	(110,820)	5,853	(1,643,555)
Vehicles	<u>(1,233,532)</u>	<u>(165,618)</u>	<u>91,512</u>	<u>(1,307,638)</u>
Total accumulated depreciation	<u>(6,777,926)</u>	<u>(361,559)</u>	<u>97,365</u>	<u>(7,042,120)</u>
Total capital assets being depreciated, net	<u>4,723,855</u>	<u>(196,734)</u>	<u>(12,423)</u>	<u>4,514,698</u>
Governmental activities capital assets, net	<u>\$ 7,165,018</u>	<u>\$ 4,555,727</u>	<u>\$ (12,423)</u>	<u>\$ 11,708,322</u>

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 79,386
<i>Special</i>	27,311
<i>Vocational</i>	72
<i>Support services:</i>	
<i>Pupils</i>	4,104
<i>Instructional staff</i>	22,901
<i>Administration</i>	35,823
<i>Fiscal</i>	422
<i>Operation and maintenance of plant</i>	12,122
<i>Pupil transportation</i>	162,215
<i>Operation of non-instructional services</i>	1,059
<i>Extracurricular activities</i>	13,437
<i>Operation of food service operations</i>	2,707
	\$ 361,559

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2003 consisted of the following:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
<i>General fund</i>	\$ 112,379	\$ -
<i>Non-major governmental funds</i>		85,379
<i>Fiduciary funds</i>	-	27,000
	\$ 112,379	\$ 112,379

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2003, all interfund loans outstanding are anticipated to be repaid in fiscal year 2004.

**NOTE 9 - INTERFUND TRANSFERS**

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

Interfund transfers for the year ended June 30, 2003, consisted of the following:

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

<u>Transfers To</u>	<u>General</u>	<u>Transfers From</u>	
	<u>Fund</u>	<u>Non-Major</u>	<u>Total</u>
		<u>Funds</u>	
Classroom Facilities	\$ -	\$ 220,463	\$ 220,463
Non-Major Funds	<u>38,401</u>	<u>-</u>	<u>38,401</u>
Total	<u>\$ 38,401</u>	<u>\$ 220,463</u>	<u>\$ 258,864</u>

During the fiscal year, the Permanent Improvements capital project fund made \$220,463 in transfers to the Classroom Facilities capital project fund. These transfers represent the local portion of funds used for the construction of new elementary school buildings in the School District. In addition, the General fund made transfers of \$6,901 and \$31,500 to the Debt Retirement debt service fund and the Student Activities special revenue fund respectively. The transfer to the Debt Retirement fund was to provide funds for the EPA Asbestos Removal loan payment, which came due during the year. Finally, the transfer to the Student Activities fund was to support programs accounted for in this fund.

**NOTE 10 - RISK MANAGEMENT**

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

A. Property and liability

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

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



**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

In addition, the School District contracted with Indiana Insurance for property, Nationwide Agribusiness for employee bonding and Ohio School Plan for general liability insurance during fiscal year 2003:

<u>Property</u>	
<i>Building and Contents-replacement cost (\$1,000 deductible)</i>	\$ 36,408,968
<i>Equipment (\$1,000 deductible)</i>	1,920,873
<i>Musical Instruments/AV Equipment (\$250 deductible)</i>	1,201,902
<i>Commercial Auto (\$250 deductible)</i>	1,000,000
 <u>Public Officials Bonds</u>	
<i>Board President</i>	20,000
<i>Superintendent</i>	20,000
<i>Treasurer</i>	80,000
 <u>General Liability</u>	
<i>Per occurrence</i>	1,000,000
<i>Total per year</i>	3,000,000

**B. Workers' Compensation**

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

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

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained from the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
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Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 5.46% for pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$183,915, \$151,950, and \$131,069, respectively; 43% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003, in the amount of \$105,147, is recorded as an intergovernmental payable.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 9.5% for pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$849,778, \$819,258, and 796,793, respectively; 83% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003, in the amount of \$146,585, is recorded as an intergovernmental payable.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 4.5% covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$402,526 during the 2003 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.011 billion at June 30, 2002, (latest information available). For the year ended June 30, 2002, the net health care costs paid by the STRS were \$354,697,000 and eligible benefit recipients totaled 105,300.

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2002 (the latest information available), the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$321,480, which includes a surcharge of \$33,819 during the 2003 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003, (latest information available) were \$182,946,777 and the target level was \$274.4 million. At June 30, 2003, the SERS's net assets available for payment of health care benefits was \$335.2 million, at cost. The number of participants receiving health care benefits was approximately 50,000.

**NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The School District, in prior years, has entered into capitalized leases for the acquisition of copiers. In addition to prior year agreements, the School District has entered into one new capitalized lease agreement during fiscal year 2003. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized as equipment in the amount of \$181,501 equal to the present value of the future minimum lease payments in the government-wide financial statements. Principal payments in the current fiscal year totaled \$31,5637.

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

<i>Fiscal Year</i>	<i>Lease Payments</i>
2004	\$ 36,891
2005	27,776
2006	24,252
2007	20,485
2008	5,815
<i>Total minimum lease payments</i>	<u>115,219</u>
<i>Less: amount representing interest</i>	<u>(17,910)</u>
<i>Present value of minimum lease payments</i>	<u>\$ 97,309</u>

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	<i>Balance at</i> <u>6/30/02</u>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at</i> <u>6/30/03</u>	<i>Due In</i> <u>One Year</u>
<b><i>Governmental Activities</i></b>					
<i>Bonds and notes payable:</i>					
2001 School Improvements, 5.00%	\$ 8,309,000	\$ -	\$ (265,000)	\$ 8,044,000	\$ 275,000
2001 Site Acquisition, 5.00%	<u>205,000</u>	-	<u>(5,000)</u>	<u>200,000</u>	<u>5,000</u>
Total bonds and notes payable	<u>8,514,000</u>	-	<u>(270,000)</u>	<u>8,244,000</u>	<u>280,000</u>
<i>Other liabilities</i>					
EPA Asbestos Removal Loan	75,914	-	(6,901)	69,013	6,901
Compensated absences	852,123	-	(11,198)	840,925	56,770
Capital leases	<u>122,707</u>	<u>6,165</u>	<u>(31,563)</u>	<u>97,309</u>	<u>28,887</u>
Total other liabilities	<u>1,050,744</u>	<u>6,165</u>	<u>(49,662)</u>	<u>1,007,247</u>	<u>92,558</u>
Governmental activities long-term liabilities	<u>\$ 9,564,744</u>	<u>\$ 6,165</u>	<u>\$ (319,662)</u>	<u>\$ 9,251,247</u>	<u>\$ 372,558</u>

In fiscal year 2002, the School District issued bonds for the site acquisition and construction of classroom facilities in the amount of \$210,000 and \$8,474,000 respectively. Each of the bond issues will mature on December 1, 2023. All bonds are general obligation bonds for which the full faith and credit of the School District is pledged. These bonds will be paid from property taxes in the Bond Retirement debt service fund.

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

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2003 are as follows:

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>		<u>EPA Asbestos Removal Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2004	\$ 280,000	\$ 366,643	\$ 6,901	\$ -	\$ 653,544
2005	290,000	356,238	6,901	-	653,139
2006	300,000	345,098	6,901	-	651,999
2007	315,000	333,101	6,901	-	655,002
2008	325,000	320,298	6,901	-	652,199
2009-2013	1,303,890	1,944,088	34,508	-	3,282,486
2014-2018	2,125,000	1,093,340	-	-	3,218,340
2019-2023	2,685,000	503,875	-	-	3,188,875
2024	620,110	15,500	-	-	635,610
<i>Total</i>	<u>\$ 8,244,000</u>	<u>\$ 5,278,181</u>	<u>\$ 69,013</u>	<u>\$ -</u>	<u>\$ 13,591,194</u>

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

Stark Portage Area Computer Consortium (SPARCC) is the computer service organization or Data Acquisition Site (DAS) used by the School District. SPARCC is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All Districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs SPARCC. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to SPARCC are made from the general fund. During the fiscal year, the School District contributed \$42,206 to SPARCC.

Portage County School Consortium is an insurance group-purchasing consortium made up of thirteen school districts in Portage County. All member districts pay an insurance premium directly to the consortium. The School District paid \$2,887,506 in the form of health care premiums to the consortium for the current fiscal year.

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

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

**NOTE 16 - CONTINGENCIES**

A. Grants:

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

B. School Funding:

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

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

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

**NOTE 17 - STATUTORY RESERVES**

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

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

	<u>Textbook</u> <u>Reserve</u>	<u>Capital</u> <u>Maintenance</u> <u>Reserve</u>	<u>School</u> <u>Bus</u> <u>Reserve</u>	<u>Total</u>
<i>Set-aside cash balance</i>				
<i>as of June 30, 2002</i>	\$ 79,693	\$ -	\$ -	\$ 79,693
<i>Current year set-aside requirement</i>	373,862	373,862	50,980	798,704
<i>Current year offset</i>	-	(462,645)	-	(462,645)
<i>Qualifying disbursements</i>	<u>(348,274)</u>	<u>-</u>	<u>(49,480)</u>	<u>(397,754)</u>
<i>Total</i>	<u>\$ 105,281</u>	<u>\$ (88,783)</u>	<u>\$ 1,500</u>	<u>17,998</u>
<i>Balance carried forward to FY2004</i>	<u>\$ 105,281</u>			

**NOTE 18 - ACCOUNTABILITY AND COMPLIANCE**

A. Accountability:

As of June 30, 2003, three funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances as follows:

<u>Fund</u>	<u>Amount</u>
<i>Food Service special revenue</i>	\$ 6,782
<i>Athletics special revenue</i>	433
<i>IDEA grant special revenue</i>	2,061

B. Compliance:

The Drug Free School Grant special revenue fund had expenditures plus encumbrances in excess of appropriations plus prior year encumbrances in the amount of \$1,385 contrary to Ohio Revised Code Section 5705.41. Although this budgetary violation was not corrected by fiscal year end, management had indicated that appropriations would be closely monitored to ensure no future violations.

**NOTE 19 - COMMITMENTS**

The School District has entered into contracts for the planning and construction of classroom facilities. As of June 30, 2003 the School District is committed to contracts for these projects in the amount of \$15,367,584 and have expended \$3,916,727 of this amount. These projects are commitments of the Classroom Facilities capital projects fund.

**Crestwood Local School District**  
Notes to the Basic Financial Statements  
For the fiscal year ended June 30, 2003

**NOTE 20 - SPECIAL AND EXTRAORDINARY ITEMS**

A. Special item

Prior to the current fiscal year, a receivable and revenue had been recognized for excess cost billings dating back to fiscal year 1995. A settlement has been agreed upon for these outstanding receivables, resulting in a write-off of a portion in the amount of \$136,943. This amount is reported in the statement of activities as a special item.

B. Extraordinary item

During the fiscal year, the Portage County Auditor returned monies to subdivisions within the County. These monies represent a return of unneeded funds for the sexennial reappraisal (most recent year was 2000) of the County's local real estate values. The School District's distribution amount totaled \$107,024. This amount is reported as an extraordinary item within the fund and government-wide financial statements, as this is only the second time in the history of Portage County that a return of these type of funds have been issued.



CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
National School Lunch Program	N/A	10.555	\$137,656		\$137,656	
Food Distribution Program	N/A	10.550		\$130,629		\$130,629
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b>137,656</b>	<b>130,629</b>	<b>\$137,656</b>	<b>130,629</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1S1-2001 C1S1-2002 C1S1-2003 C1SD-2002 C1SD-2003	84.010	(9,376) 44,100 177,927 5,338 28,357		32,241 171,789 2,769 28,357	
Total Title I Grants to Local Educational Agencies			<b>246,346</b>		<b>235,156</b>	
<i>Special Education Cluster:</i>						
Special Education - Grant to States	6BSF-2002	84.027	46,560		34,951	
Special Education - Grant to States	6BSF-2003		204,498		202,289	
Indicators For Success	6BEC-01P				1,147	
Total Special Education - Grant to States			<b>251,058</b>		<b>238,387</b>	
Total Special Education Cluster			<b>251,058</b>		<b>238,387</b>	
Safe and Drug-Free Schools And Communities -- State Grants	DRS1 1999 DRS1 2000 DRS1 2001 DRS1 2003	84.186	(2,631) 6,530		1,009 (2,631) 3,325 6,475	
Total Drug Free School Grant			<b>3,899</b>		<b>8,178</b>	
Innovative Education Program Strategies	C2S1 2001 C2S1 2002 C2S12003	84.298	(2,390) 1,552 14,070		(1,440) 2,118 13,423	
Total Innovative Education Program Strategies			<b>13,232</b>		<b>14,101</b>	
Title IID	TJS1-2003	84.318	4,924		4,414	
Total Title IID Class Size Reduction			<b>4,924</b>		<b>4,414</b>	
Assistive Technology	ATS1 2002 Round 2 Round 3	84.352	(2,620) 9,877 295 216		9,877	
Total Assistive Technology			<b>7,768</b>		<b>9,877</b>	
Title IIA	TRS1-2003	84.367	82,528		77,416	
Total Title IIA Class Size Reduction			<b>82,528</b>		<b>77,416</b>	
<b>Total U.S. Department of Education</b>			<b>609,755</b>	<b>0</b>	<b>587,529</b>	<b>0</b>
<b>Total Federal Awards Expenditures</b>			<b>\$ 747,411</b>	<b>\$ 130,629</b>	<b>\$ 725,185</b>	<b>\$ 130,629</b>

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

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY  
FISCAL YEAR ENDED JUNE 30, 2003**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

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

**NOTE C - MATCHING REQUIREMENTS**

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

**NOTE D – REFUNDING OF EXPIRED GRANT MONEY**

Monies from the Title I grant, Drug Free School grant, Innovative Education Program Strategies, and Assistive Technology, were returned to the grantor because of the expiration of their periods of availability. The amount of the refunds were \$9,376, \$2,361, \$2,390, and \$2,620 respectively, and are reflected as negative receipts on the Schedule of Federal Awards Expenditures.



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the basic financial statements of the Crestwood Local School District, Portage County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 9, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

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

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 9, 2003.

Crestwood Local School District  
Portage County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

December 9, 2003



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the compliance of the Crestwood Local School District, Portage County (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

#### Compliance

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

#### Internal Control Over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 9, 2003.

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

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

**Betty Montgomery**  
Auditor of State

December 9, 2003

**CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster: 1. Federal Donated Commodities (CFDA – 10.550), 2. Federal Lunchroom Program (CFDA 10.555)
<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**

Finding Number	N/A – No findings are reported
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	N/A – No findings are reported
----------------	--------------------------------

CRESTWOOD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

**4. SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
2002-11167-001	<i>High School and Middle School Cafeterias to Implement Additional Procedures to Strengthen Controls over Cash Collections and Record Keeping</i>	No	Partially Corrected – a management letter comment issued this audit.
2002-11167-002	<i>Elementary Schools Cafeterias to Implement Additional Procedures to Strengthen Controls over Cash Collections and Record Keeping</i>	No	Partially Corrected – a management letter comment issued this audit.





**Auditor of State  
Betty Montgomery**

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**CRESTWOOD LOCAL SCHOOL DISTRICT**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 6, 2004**