

**CRESTLINE EXEMPTED  
VILLAGE SCHOOL DISTRICT**

**CRAWFORD COUNTY, OHIO**

**BASIC  
FINANCIAL STATEMENTS**

*(Audited)*

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2004*

**JULIE SMITH, TREASURER**





**Auditor of State  
Betty Montgomery**

Board of Education  
Crestline Exempted Village School District  
511 South Thoman  
PO Box 350  
Crestline, Ohio 44827-0350

We have reviewed the Independent Auditor's Report of the Crestline Exempted Village School District, Crawford County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 to June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 28, 2005

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**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report.....	1 - 2
Management’s Discussion and Analysis.....	3 - 12
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund.....	19
Statement of Net Assets - Proprietary Fund.....	20
Statement of Revenues, Expenses and Changes in Net Assets- Proprietary Fund .....	21
Statement of Cash Flows - Proprietary Fund.....	22
Statement of Fiduciary Net Assets - Fiduciary Funds .....	23
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	24
Notes to the Basic Financial Statements .....	25 - 54
Supplemental Data:	
Schedule of Receipts and Expenditures of Federal Awards.....	55
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	56 - 57
Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i> .....	58 - 59
Schedule of Findings <i>OMB Circular A-133 § .505</i> .....	60 - 63
Status of Prior Audit Findings <i>OMB Circular A-133 § .505</i> .....	64

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“SERVING OHIO LOCAL GOVERNMENTS”

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## Independent Auditor's Report

Board of Education  
Crestline Exempted Village School District  
511 South Thoman  
Crestline, Ohio 44827

We have audited the accompanying financial statements of the governmental activities, its major fund and the aggregate remaining fund information of the Crestline Exempted Village School District, (the “District”) Crawford County, Ohio, as of and for the fiscal year ended June 30, 2004, which collectively comprise the District’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Crestline Exempted Village School District’s management. Our responsibility is to express opinions on these basic 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 the 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, its major fund, and the aggregate remaining fund information of the Crestline Exempted Village School District, Crawford County, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the fiscal year ended June 30, 2004. In addition, capital assets have been restated due to fund reclassifications, changes in the District’s capital asset policy, and errors and omissions reported in prior years as described in Note 8A.

Independent Auditor's Report  
Crestline Exempted Village School District  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2005, on our consideration of the Crestline Exempted Village School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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



Trimble, Julian & Grube, Inc.  
February 23, 2005

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The management's discussion and analysis of the Crestline Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities decreased \$551,309 which represents a 44.13% decrease from 2003.
- General revenues accounted for \$6,340,590 in revenue or 78.01% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,787,303 or 21.99% of total revenues of \$8,127,893.
- The District had \$8,679,202 in expenses related to governmental activities; \$1,787,303 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,340,590 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$6,984,986 in revenues and other financing sources and \$6,962,358 in expenditures. During fiscal year 2004, the general fund's fund balance increased \$22,628 from \$121,187 to \$143,815.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.



**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-54 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	Net Assets
	Governmental Activities <u>2004</u>
<b><u>Assets</u></b>	
Current and other assets	\$ 3,668,646
Capital assets	<u>649,619</u>
Total assets	<u>4,318,265</u>
<b><u>Liabilities</u></b>	
Current liabilities	3,110,280
Long-term liabilities	<u>509,954</u>
Total liabilities	<u>3,620,234</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	555,441
Restricted	347,548
Unrestricted (deficit)	<u>(204,958)</u>
Total net assets	<u>\$ 698,031</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$698,031. Of this total, \$347,548 is restricted in use.

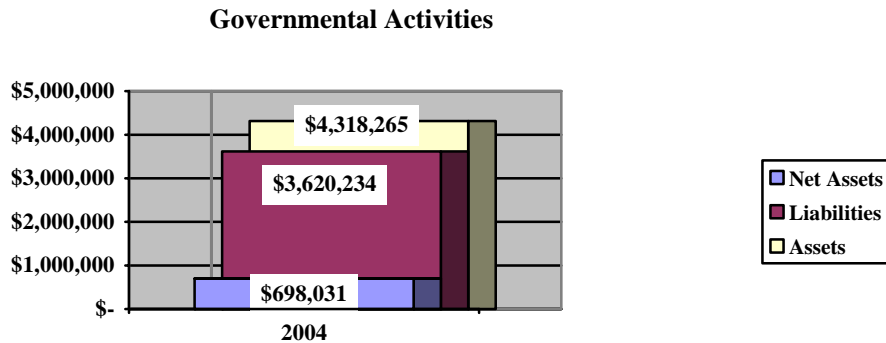
At year-end, capital assets represented 15.04% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$555,441. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

A portion of the District's net assets, \$347,548, represents resources that are subject to external restriction on how they may be used. The remaining deficit of unrestricted net assets of \$204,958 may be used to meet the District's ongoing obligations to the students and creditors.

The table below provides a summary of the District's net assets for 2004:



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

	<b>Change in Net Assets</b>
	Governmental Activities <u>2004</u>
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 585,345
Operating grants and contributions	1,182,708
Capital grants and contributions	19,250
General revenues:	
Property taxes	3,059,508
Grants and entitlements	3,263,669
Investment earnings	12,223
Other	<u>5,190</u>
Total revenues	<u>8,127,893</u>

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Change in Net Assets**

	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 3,215,431
Special	967,811
Vocational	126,136
Other	272,641
Support services:	
Pupil	462,486
Instructional staff	573,517
Board of education	178,775
Administration	825,784
Fiscal	256,799
Operations and maintenance	680,448
Pupil transportation	278,026
Central	166
Food service operations	304,402
Operations of non-instructional services	143,531
Extracurricular activities	346,503
Intergovernmental	42,757
Interest and fiscal charges	<u>3,989</u>
Total expenses	<u>8,679,202</u>
Change in net assets	(551,309)
Net assets at beginning of year	<u>1,249,340</u>
Net assets at end of year	<u><u>\$ 698,031</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$551,309. Total governmental expenses of \$8,679,202 were offset by program revenues of \$1,787,303 and general revenues of \$6,340,590. Program revenues supported 20.59% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 77.80% of total governmental revenue.

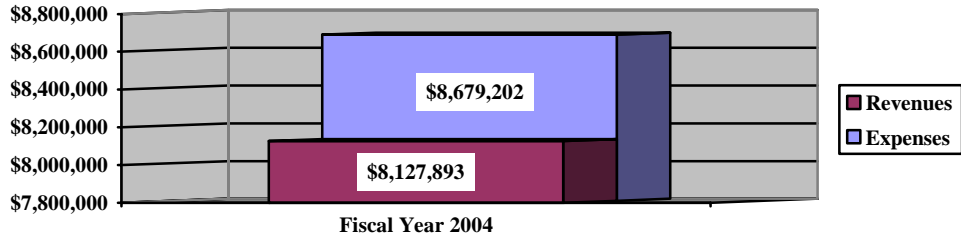
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,582,019 or 52.79% of total governmental expenses for fiscal 2004.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

**Governmental Activities**

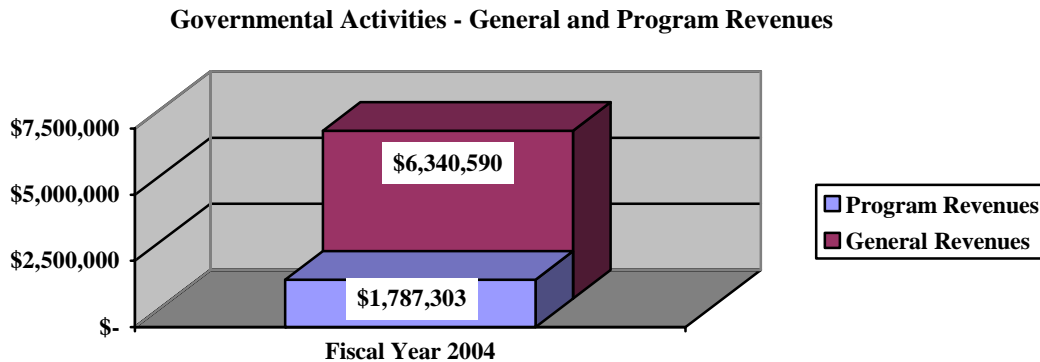
	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>		
Instruction:		
Regular	\$ 3,215,431	\$ 2,617,816
Special	967,811	629,784
Vocational	126,136	126,136
Other	272,641	272,641
Support services:		
Pupil	462,486	303,915
Instructional staff	573,517	399,309
Board of education	178,775	174,264
Administration	825,784	817,028
Fiscal	256,799	251,938
Operations and maintenance	680,448	680,448
Pupil transportation	278,026	276,934
Central	166	166
Food service operations	304,402	10,532
Operations of non-instructional services	143,531	49,141
Extracurricular activities	346,503	276,058
Intergovernmental	42,757	1,800
Interest and fiscal charges	3,989	3,989
<b>Total expenses</b>	<b>\$ 8,679,202</b>	<b>\$ 6,891,899</b>

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 79.58% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.41%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2004:



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$321,376, which is higher than last year's total of \$95,717. The June 30, 2003 fund balances have been restated as described in Note 3A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)	Percentage Change
General	\$ 143,815	\$ 121,187	\$ 22,628	18.67 %
Other Governmental	177,561	(25,470)	203,031	797.14 %
Total	<u>\$ 321,376</u>	<u>\$ 95,717</u>	<u>\$ 225,659</u>	235.76 %

**General Fund**

The District's general fund balance increased \$22,628 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3A. to the basic financial statements). The increase in fund balance can be attributed to the District discontinuing its self-insurance fund and monies transferred to the General fund to pay remaining claims. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,003,530	\$ 2,689,468	\$ 314,062	11.68 %
Tuition	214,188	3,721	210,467	5,656.19 %
Earnings on investments	12,223	24,744	(12,521)	(50.60) %
Intergovernmental	3,250,223	3,289,895	(39,672)	(1.21) %
Other revenues	<u>4,822</u>	<u>13,876</u>	<u>(9,054)</u>	<u>(65.25) %</u>
Total	<u>\$ 6,484,986</u>	<u>\$ 6,021,704</u>	<u>\$ 463,282</u>	<u>7.69 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 3,746,329	\$ 3,749,321	\$ (2,992)	(0.08) %
Support services	2,902,130	2,987,165	(85,035)	(2.85) %
Extracurricular activities	260,889	252,838	8,051	3.18 %
Capital outlay	-	151,214	(151,214)	(100.00) %
Debt service	<u>53,010</u>	<u>8,836</u>	<u>44,174</u>	<u>499.93 %</u>
Total	<u>\$ 6,962,358</u>	<u>\$ 7,149,374</u>	<u>\$ (187,016)</u>	<u>(2.62) %</u>

***General Fund Budgeting Highlights***

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

During the course of fiscal 2004, the District did not amend the general fund budget. For the general fund, original and final budgeted revenues and other financing sources were \$6,731,900. Actual revenues and other financing sources for fiscal 2004 was \$7,043,185. This represents a \$311,285 increase over original budgeted revenues.

General fund original appropriations and final appropriations (appropriated expenditures including other financing uses) totaled \$7,055,323. The actual budget basis expenditures for fiscal year 2004 totaled \$7,168,314, which was \$112,991 more than the final budget appropriations.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2004, the District had \$649,619 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

	Governmental Activities	
	2004	2003
Land	\$ 138,210	\$ 138,210
Land improvements	91,307	97,179
Building and improvements	129,155	142,304
Furniture and equipment	231,714	313,951
Vehicles	59,233	72,505
Total	\$ 649,619	\$ 764,149

The overall decrease in capital assets of \$114,530 is due to depreciation expense of \$116,485 and disposals of \$251 (net of accumulated depreciation) exceeding capital outlays of \$2,206 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2004, the District had \$94,178 in capital lease obligations outstanding. Of this total, \$50,664 is due within one year and \$43,514 is due within greater than one year. The following table summarizes the lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2004	Governmental Activities 2003
	2004	2003
Capital lease obligations	\$ 94,178	\$ 143,199
Total	\$ 94,178	\$ 143,199

At June 30, 2004, the District's overall legal debt margin was \$6,575,992, and an unvoted debt margin of \$72,961.

See Note 11 to the basic financial statements for additional information on the District's debt administration.



**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

**Current Financial Related Activities**

The District faces many financial challenges. The first challenge is that although the District had the resources necessary to meet operating expenses in fiscal year 2004, it is anticipated that an additional operating levy will need to be passed in the future in order to provide financial stability over the next five years.

The next challenge is that the District's Management must continue to provide the resources necessary to meet student needs while diligently planning expenses, staying within the five-year plan. The five-year plan is utilized by management to manage resources effectively and efficiently. Additional revenues should not be treated as a windfall to expand programs but as an opportunity to extend the life of the five-year plan.

The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan and granted a motion for reconsideration on November 2, 2001. At this time, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Julie Smith, Crestline Exempted Village School District, 511 S. Thoman Street, P.O. Box 350, Crestline, Ohio 44827-0350.

**BASIC  
FINANCIAL STATEMENTS**

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 583,508
Receivables:	
Taxes . . . . .	2,911,403
Accounts . . . . .	3,869
Intergovernmental . . . . .	130,086
Accrued interest . . . . .	345
Prepayments . . . . .	35,041
Materials and supplies inventory . . . . .	4,394
Capital assets:	
Land . . . . .	138,210
Depreciable capital assets, net . . . . .	511,409
Capital assets, net. . . . .	649,619
 Total assets. . . . .	 4,318,265
 <b>Liabilities:</b>	
Accounts payable. . . . .	7,036
Accrued wages and benefits . . . . .	887,582
Pension obligation payable. . . . .	189,600
Intergovernmental payable . . . . .	56,228
Deferred revenue . . . . .	1,969,834
Long-term liabilities:	
Due within one year. . . . .	103,692
Due within more than one year . . . . .	406,262
Total liabilities . . . . .	3,620,234
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	555,441
Restricted for:	
Capital projects . . . . .	338,085
Debt service. . . . .	9,463
Unrestricted (deficit) . . . . .	(204,958)
Total net assets . . . . .	\$ 698,031

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u> <u>Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Revenue and</u> <u>Changes in</u> <u>Net Assets</u>
					<u>Governmental</u> <u>Activities</u>
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 3,215,431	\$ 288,708	\$ 308,907	\$ -	\$ (2,617,816)
Special . . . . .	967,811	-	338,027	-	(629,784)
Vocational . . . . .	126,136	-	-	-	(126,136)
Other . . . . .	272,641	-	-	-	(272,641)
Support services:					
Pupil . . . . .	462,486	49	158,522	-	(303,915)
Instructional staff . . . . .	573,517	8,254	146,704	19,250	(399,309)
Board of education . . . . .	178,775	4,511	-	-	(174,264)
Administration . . . . .	825,784	1,239	7,517	-	(817,028)
Fiscal . . . . .	256,799	-	4,861	-	(251,938)
Operations and maintenance . . . . .	680,448	-	-	-	(680,448)
Pupil transportation . . . . .	278,026	-	1,092	-	(276,934)
Central . . . . .	166	-	-	-	(166)
Operation of non-instructional services:					
Food service operations . . . . .	304,402	126,395	167,475	-	(10,532)
Other non-instructional services . . . . .	143,531	85,744	8,646	-	(49,141)
Extracurricular activities . . . . .	346,503	70,445	-	-	(276,058)
Intergovernmental pass-through . . . . .	42,757	-	40,957	-	(1,800)
Interest and fiscal charges . . . . .	3,989	-	-	-	(3,989)
<b>Total governmental activities . . . . .</b>	<u>\$ 8,679,202</u>	<u>\$ 585,345</u>	<u>\$ 1,182,708</u>	<u>\$ 19,250</u>	<u>(6,891,899)</u>
<b>General Revenues:</b>					
Property taxes levied for:					
					2,882,812
					176,696
					3,263,669
					12,223
					5,190
					<u>6,340,590</u>
					(551,309)
					<u>1,249,340</u>
					<u>\$ 698,031</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ 460,649	\$ 460,649
Receivables:			
Taxes . . . . .	2,746,722	164,681	2,911,403
Intergovernmental . . . . .	16,383	113,703	130,086
Accrued interest . . . . .	345	-	345
Interfund receivable . . . . .	11,843	-	11,843
Due from other funds . . . . .	234,544	127,768	362,312
Prepayments . . . . .	35,041	-	35,041
Materials and supplies inventory . . . . .	-	4,394	4,394
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	35,920	-	35,920
Total assets . . . . .	<u>\$ 3,080,798</u>	<u>\$ 871,195</u>	<u>\$ 3,951,993</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 1,963	\$ 5,073	\$ 7,036
Accrued wages and benefits . . . . .	761,307	126,275	887,582
Compensated absences payable . . . . .	37,577	-	37,577
Pension obligation payable . . . . .	99,943	21,052	120,995
Intergovernmental payable . . . . .	43,926	12,302	56,228
Interfund payable . . . . .	-	11,843	11,843
Due to other funds . . . . .	-	362,312	362,312
Deferred revenue . . . . .	1,992,267	154,777	2,147,044
Total liabilities . . . . .	<u>2,936,983</u>	<u>693,634</u>	<u>3,630,617</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	11,060	20,120	31,180
Reserved for materials and supplies inventory . . . . .	-	4,394	4,394
Reserved for prepayments . . . . .	35,041	-	35,041
Reserved for property tax unavailable for appropriation . . . . .	754,455	35,072	789,527
Reserved for advances . . . . .	11,843	-	11,843
Reserved for BWC refunds . . . . .	35,920	-	35,920
Reserved for debt service . . . . .	-	9,463	9,463
Unreserved, undesignated (deficit), reported in:			
General fund . . . . .	(704,504)	-	(704,504)
Special revenue funds . . . . .	-	(174,076)	(174,076)
Capital projects funds . . . . .	-	282,588	282,588
Total fund balances . . . . .	<u>143,815</u>	<u>177,561</u>	<u>321,376</u>
Total liabilities and fund balances . . . . .	<u>\$ 3,080,798</u>	<u>\$ 871,195</u>	<u>\$ 3,951,993</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		\$	321,376
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			649,619
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	152,042	
Intergovernmental revenue		25,168	
Total			177,210
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			90,808
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(378,199)	
Pension obligation payable		(68,605)	
Capital lease payable		(94,178)	
Total			(540,982)
<b>Net assets of governmental activities</b>		\$	698,031

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 3,003,530	\$ 172,833	\$ 3,176,363
Tuition . . . . .	214,188	100,179	314,367
Charges for services . . . . .	-	126,395	126,395
Earnings on investments . . . . .	12,223	-	12,223
Classroom materials and fees . . . . .	1,587	21,964	23,551
Extracurricular . . . . .	-	107,803	107,803
Other local revenues . . . . .	3,235	15,184	18,419
Intergovernmental - Intermediate . . . . .	-	2,565	2,565
Intergovernmental - State . . . . .	3,250,223	434,050	3,684,273
Intergovernmental - Federal . . . . .	-	930,091	930,091
<b>Total revenues . . . . .</b>	<b>6,484,986</b>	<b>1,911,064</b>	<b>8,396,050</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	2,619,403	557,410	3,176,813
Special . . . . .	712,605	242,608	955,213
Vocational . . . . .	141,680	-	141,680
Other . . . . .	272,641	-	272,641
Support services:			
Pupil . . . . .	322,921	154,338	477,259
Instructional staff . . . . .	410,922	164,159	575,081
Board of education . . . . .	178,775	-	178,775
Administration . . . . .	804,035	10,080	814,115
Fiscal . . . . .	246,648	9,361	256,009
Operations and maintenance . . . . .	672,438	12,057	684,495
Pupil transportation . . . . .	266,391	1,175	267,566
Food service operations . . . . .	-	299,130	299,130
Other non-instructional services . . . . .	-	143,452	143,452
Extracurricular activities . . . . .	260,889	71,063	331,952
Intergovernmental pass-through . . . . .	-	43,200	43,200
Debt service:			
Principal retirement . . . . .	49,021	-	49,021
Interest and fiscal charges . . . . .	3,989	-	3,989
<b>Total expenditures . . . . .</b>	<b>6,962,358</b>	<b>1,708,033</b>	<b>8,670,391</b>
Excess of revenues over (under) expenditures . . . . .	(477,372)	203,031	(274,341)
<b>Other financing sources:</b>			
Transfers in . . . . .	500,000	-	500,000
<b>Total other financing sources . . . . .</b>	<b>500,000</b>	<b>-</b>	<b>500,000</b>
Net change in fund balances . . . . .	22,628	203,031	225,659
<b>Fund balances (deficit) at beginning of year (restated) . . . . .</b>	<b>121,187</b>	<b>(25,470)</b>	<b>95,717</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 143,815</b>	<b>\$ 177,561</b>	<b>\$ 321,376</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	225,659
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$116,485) exceeds capital outlays (\$2,206) in the current period.		(114,279)
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(251)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(268,157)
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		49,021
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		5,146
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(448,448)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(551,309)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.



**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,716,434	\$ 2,716,434	\$ 2,863,541	\$ 147,107
Tuition . . . . .	203,185	203,185	214,188	11,003
Earnings on investments . . . . .	12,478	12,478	13,154	676
Classroom materials and fees . . . . .	15,982	15,982	1,587	(14,395)
Other local revenues . . . . .	3,070	3,070	3,236	166
Intergovernmental - State . . . . .	<u>3,078,751</u>	<u>3,078,751</u>	<u>3,245,479</u>	<u>166,728</u>
Total revenues . . . . .	<u>6,029,900</u>	<u>6,029,900</u>	<u>6,341,185</u>	<u>311,285</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,603,054	2,603,054	2,641,767	(38,713)
Special . . . . .	700,417	700,417	715,927	(15,510)
Vocational . . . . .	149,619	149,619	151,784	(2,165)
Other . . . . .	268,752	268,752	272,641	(3,889)
Support services:				
Pupil . . . . .	285,358	285,358	289,487	(4,129)
Instructional staff . . . . .	409,208	409,208	415,479	(6,271)
Board of education . . . . .	194,624	194,624	197,440	(2,816)
Administration . . . . .	789,734	789,734	803,031	(13,297)
Fiscal . . . . .	250,659	250,659	254,741	(4,082)
Operations and maintenance . . . . .	681,086	681,086	692,785	(11,699)
Pupil transportation . . . . .	265,622	265,622	272,350	(6,728)
Extracurricular activities . . . . .	<u>255,190</u>	<u>255,190</u>	<u>258,882</u>	<u>(3,692)</u>
Total expenditures . . . . .	<u>6,853,323</u>	<u>6,853,323</u>	<u>6,966,314</u>	<u>(112,991)</u>
Excess of revenues over (under) expenditures . . . . .	<u>(823,423)</u>	<u>(823,423)</u>	<u>(625,129)</u>	<u>198,294</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	702,000	702,000	702,000	-
Transfers (out) . . . . .	<u>(202,000)</u>	<u>(202,000)</u>	<u>(202,000)</u>	<u>-</u>
Total other financing sources (uses) . . . . .	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net change in fund balance . . . . .	(323,423)	(323,423)	(125,129)	198,294
<b>Fund balances at beginning of year (restated) . . . . .</b>				
	326,440	326,440	326,440	-
<b>Prior year encumbrances appropriated . .</b>	<u>55,290</u>	<u>55,290</u>	<u>55,290</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 58,307</u>	<u>\$ 58,307</u>	<u>\$ 256,601</u>	<u>\$ 198,294</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 86,939
Receivables:	
Accounts . . . . .	3,869
Total assets . . . . .	90,808
<b>Net assets:</b>	
Unrestricted. . . . .	90,808
Total net assets . . . . .	\$ 90,808

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 87,348
Total operating revenues . . . . .	<u>87,348</u>
<b>Operating expenses:</b>	
Claims. . . . .	<u>35,796</u>
Total operating expenses . . . . .	<u>35,796</u>
Operating income . . . . .	<u>51,552</u>
Transfer out . . . . .	<u>(500,000)</u>
Change in net assets. . . . .	(448,448)
<b>Net assets at beginning of year (restated). .</b>	<u>539,256</u>
<b>Net assets at end of year. . . . .</b>	<u><u>\$ 90,808</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 87,734
Cash payments for claims. . . . .	(144,310)
	(56,576)
Net cash used in operating activities . . . . .	(56,576)
<b>Cash flows from noncapital financing activities:</b>	
Cash payments for transfers out . . . . .	(500,000)
Cash received from interfund loans. . . . .	563,385
	63,385
Net cash provided by noncapital financing activities . . . . .	63,385
Net increase in cash and cash equivalents . . . . .	6,809
<b>Cash and cash equivalents at beginning of year. . .</b>	<b>80,130</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 86,939</b>
<b>Reconciliation of operating income to net cash used in operating activities:</b>	
Operating income . . . . .	\$ 51,552
Changes in assets and liabilities:	
Decrease in accounts receivable . . . . .	386
Decrease in claims payable . . . . .	(108,514)
	(108,128)
Net cash used in operating activities . . . . .	<b>\$ (56,576)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 10,000	\$ 8,812
Total assets. . . . .	10,000	\$ 8,812
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 8,812
Total liabilities . . . . .	-	\$ 8,812
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	10,000	
Total net assets . . . . .	\$ 10,000	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Contributions and donations. . . . .	\$ 10,000
Total additions. . . . .	10,000
<b>Deductions:</b>	
Scholarships awarded . . . . .	-
Change in net assets . . . . .	10,000
Net assets at beginning of year. . . . .	-
Net assets at end of year . . . . .	\$ 10,000

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

The Crestline Exempted Village School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District ranks as the 509<sup>th</sup> largest by enrollment among the 613 public school districts in the state. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the District's 5 instructional/support facilities staffed by 55 classified and 46 certificated full and part-time teaching personnel who provide services to 945 students and other community members.

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

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:



**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

*JOINTLY GOVERNED ORGANIZATIONS*

Heartland Council of Governments (the "COG")

The COG (formerly know as North Central Ohio Computer Cooperative) is a jointly governed organization among 15 school districts and 1 county educational service center. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in the COG. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

*RELATED ENTITY*

Crestline Public Library (the "Library")

The District appoints the governing board of the Library; however, the District cannot influence the Library's operation, nor does the Library represent a potential financial benefit for or burden on the District. The District serves in a ministerial capacity as the taxing authority for the Library. Once the Library Board determines to present a levy to the voters, including the determination of its rate and duration, the District must place the levy on the ballot. The Library may not issue debt. The Library determines its own budget.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal Service Fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District was used to account for a self-insurance program which provided medical/surgical and dental benefits to employees. The District discontinued the self insurance program on July 1, 2003. Remaining assets will be used to pay remaining claims.

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

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

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

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 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.

Expenses/Expenditures - 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 in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

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. 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. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Crawford County Budget Commission for rate determination. The Crawford County Budget Commission waived the tax budget filing requirement for the fiscal year 2004.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of control. Any revisions that alter the fund level must be approved by the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year the District had no appropriation modifications.

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

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2004, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. 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, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$12,223, which includes \$7,495 assigned from other funds.

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

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

**G. Inventory**

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

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

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

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold from \$500 to \$1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	10 - 25 years
Buildings and improvements	30 years
Furniture and equipment	5 - 10 years
Vehicles	5 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets. Long-term interfund loans that will not be repaid within the next fiscal year are shown as reservations of fund balances on the balance sheet because they are not spendable, available resources.

**J. Compensated Absences**

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

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, 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.

**L. Fund Balance Reserves**

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



**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**M. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund

**N. Net Assets**

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

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

**O. Prepayments**

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

**P. Estimates**

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

**Q. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and capital acquisition reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 17.

**R. Interfund Activity**

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

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

**S. Parochial Schools**

Within the District's boundaries are parochial schools that are operated through the Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund for financial reporting purposes.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity".

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

In addition to implementing GASB Statement No. 34, the District switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at June 30, 2003.

**Governmental Activities - Fund Reclassification and Restatement of Fund Balance** - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance/(deficit) June 30, 2003	\$ 128,850	\$ (141,550)	\$ (12,700)
Fund reclassifications	34	116,080	116,114
Implementation of GASB Interpretation No. 6	(7,697)	-	(7,697)
Restated fund balance, June 30, 2003	\$ 121,187	\$ (25,470)	\$ 95,717

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 95,717
GASB 34 adjustments:	
Long-term (deferred) assets	445,367
Capital assets	764,149
Pension obligation	(68,105)
Long-term liabilities	(527,044)
Internal service fund	539,256
Governmental activities net assets, June 30, 2003	\$ 1,249,340

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund** - The general fund unencumbered fund balance at the beginning of the year has been restated from \$326,406 to \$326,440 due to a fund reclassification to properly reflect its intended purpose in accordance with GASB Statement No. 34.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

*Internal Service Funds - Fund Reclassification and Restatement of Net Assets* - Certain funds previously reported as internal service funds are now reported as a component of the general fund to properly reflect the intended purpose of the funds.

	<u>Internal Service</u>
Fund equity as previously reported	\$ 539,290
Fund reclassification	<u>(34)</u>
Restated net assets as of July 1, 2003	<u>\$ 539,256</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 41,413
Auxiliary Services	1,571
Public School Preschool	88,066
Disadvantaged Pupil Impact Aid	140,162
Summer Intervention	8,388
Miscellaneous State Grants	8
Title I	182,468
Title VI	1,869
Drug Free Schools	6,827
Preschool	630
Improving Teacher Quality	1,478
Miscellaneous Federal Grants	18,635

All funds other than those mentioned in Note 3.C. complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from negative cash balances and adjustments for accrued liabilities.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Compliance**

1. The District had negative cash balance in the funds listed below, indicating that revenue from other funds were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10. For GAAP purposes these amounts have been reported as a fund liability.

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 16,351
Public School Preschool	39,624
Disadvantaged Pupil Impact Aid	127,034
Summer Intervention	8,074
Title I	145,408
Title VI	1,760
Drug Free Schools	6,213
Miscellaenous Federal Grants	17,848

2. The following funds had appropriations in excess of estimated resources for the fiscal year ended June 30, 2004, in noncompliance with Ohio Revised Code Section 5705.39:

<u>Nonmajor Funds</u>	<u>Amount</u>
Other Grant Funds	\$ 2,300
Auxilliary Services	24,211
Disadvantaged Pupil Impact Aid	135,000
Data Communications	83,838
School Net Professional Development	4,581
Textbooks/Instructional Material Subsidy	5,183
Summer Intervention	10,325
Food Service	47,359

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

3. The following funds had expenditures in excess of appropriations for the fiscal year ended June 30, 2004, in noncompliance with Ohio Revised Code Section 5705.41(B):

<u>Major Fund</u>	<u>Amount</u>
General Fund	\$ 112,991
 <u>Nonmajor Funds</u>	
District Managed Activities	5,683
Management Information Services	179
Public School Preschool	244,364
Ohio Reads	15,405
Miscellaneous State Grants	10,380
Special Education: Grants to States	83,863
Title I - Grants for Local Education Agencies	386,720
Title VI - State Grants for Innovative Programs	3,147
Safe and Drug Free Schools and Communities	14,370
Special Education: Preschool Grant	4,095
E-Rate	300
Improving Teacher Quality	139,068
Miscellaneous Federal Grants	47,265
Food Service	1,602
Uniform School Supplies	1,830
Daycare	58,341

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

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

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

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

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on hand:* At fiscal year-end, the District had \$50 in undeposited cash on hand, which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

*Deposits:* At year-end, the carrying amount of the District’s deposits was \$(216,178) and the bank balance was \$105,881. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the District’s bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements, which are reported as “investments”. Of the bank balance:

1. \$100,488 was covered by federal deposit insurance deposited with the District; and
2. \$5,393 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific deposit institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District’s investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District’s name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category</u> 3	<u>Reported</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Repurchase agreement	\$ 480,000	\$ 480,000	\$ 480,000
Investment in STAR Ohio	<u>-</u>	<u>338,448</u>	<u>338,448</u>
Total investments	<u>\$ 480,000</u>	<u>\$ 818,448</u>	<u>\$ 818,448</u>



**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 602,320	\$ -
Investments of the cash management pool:		
Repurchase agreement	(480,000)	480,000
Investment in STAR Ohio	(338,448)	338,448
Cash on hand	<u>(50)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ (216,178)</u>	<u>\$ 818,448</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 11,843

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

- B.** Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 234,544
Nonmajor governmental fund	Nonmajor governmental funds	127,768

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- C. Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers from Internal Service funds to:	
General Fund	\$ 500,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Due to the discontinuance of the self insurance program, remaining funds were transferred back to the general fund. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market 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 alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Crawford and Richland Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 6 - PROPERTY TAXES - (Continued)**

Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$619,127 in the general fund and \$25,797 in the permanent improvement fund. The amount available as an advance at June 30, 2004 was \$754,455 in the general fund and \$35,072 in the permanent improvement fund. This amount has been recorded as revenue.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility real estate	\$ 42,771,090	55.92	\$ 41,805,943	57.30
Commercial/industrial real estate	11,216,100	14.66	11,079,840	15.19
Public utility personal	6,018,060	7.87	12,844,308	17.60
Tangible personal property	<u>16,481,034</u>	<u>21.55</u>	<u>7,231,330</u>	<u>9.91</u>
<b>Total</b>	<b><u>\$ 76,486,284</u></b>	<b><u>100.00</u></b>	<b><u>\$ 72,961,421</u></b>	<b><u>100.00</u></b>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$ 58.70		\$ 61.83	
Permanent improvements	3.00		3.00	
Debt retirement	1.05		1.05	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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 items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 2,911,403
Accounts	3,869
Accrued interest	345
Intergovernmental	<u>130,086</u>
<b>Total</b>	<b><u>\$ 3,045,703</u></b>

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 7 - RECEIVABLES - (Continued)**

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

**NOTE 8 - CAPITAL ASSETS**

A. The capital asset balances of the governmental activities have been restated due to fund reclassifications, changes in the District's capital asset policy and errors and omissions reported in prior years.

	<u>Balance</u> <u>6/30/03</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/03</u>
<b>Governmental Activities</b>			
Capital assets, not being depreciated:			
Land	\$ -	\$ 138,210	\$ 138,210
Total capital assets, not being depreciated	<u>-</u>	<u>138,210</u>	<u>138,210</u>
Capital assets, being depreciated:			
Land improvements	22,751	378,631	401,382
Buildings and improvements	3,610,809	(719,273)	2,891,536
Furniture and equipment	1,705,141	(562,555)	1,142,586
Vehicles	<u>293,462</u>	<u>(3,363)</u>	<u>290,099</u>
Total capital assets, being depreciated	<u>5,632,163</u>	<u>(906,560)</u>	<u>4,725,603</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(4,099,664)</u>	<u>(4,099,664)</u>
Governmental activities capital assets, net	<u>\$ 5,632,163</u>	<u>\$ (4,868,014)</u>	<u>\$ 764,149</u>

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 06/30/03	Additions	Deductions	Balance 06/30/04
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 138,210	\$ -	\$ -	\$ 138,210
Total capital assets, not being depreciated	<u>138,210</u>	<u>-</u>	<u>-</u>	<u>138,210</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	401,382	-	-	401,382
Buildings and improvements	2,891,536	-	-	2,891,536
Furniture and equipment	1,142,586	2,206	(60,807)	1,083,985
Vehicles	290,099	-	(26,547)	263,552
Total capital assets, being depreciated	<u>4,725,603</u>	<u>2,206</u>	<u>(87,354)</u>	<u>4,640,455</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(304,203)	(5,872)	-	(310,075)
Buildings and improvements	(2,749,232)	(13,149)	-	(2,762,381)
Furniture and equipment	(828,635)	(84,192)	60,556	(852,271)
Vehicles	(217,594)	(13,272)	26,547	(204,319)
Total accumulated depreciation	<u>(4,099,664)</u>	<u>(116,485)</u>	<u>87,103</u>	<u>(4,129,046)</u>
Governmental activities capital assets, net	<u>\$ 764,149</u>	<u>\$ (114,279)</u>	<u>\$ (251)</u>	<u>\$ 649,619</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 71,061
Special	1,724

Support Services:

Instructional staff	3,319
Administration	887
Fiscal	1,013
Operations and maintenance	2,909
Pupil transportation	14,970
Central	166
Extracurricular activities	16,992
Non-instructional service	1,112
Food service operations	2,332

Total depreciation expense \$ 116,485

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

In a prior fiscal year, the District entered into a capitalized lease for office equipment. This lease met the criteria of a capital lease as defined by FASB Statement 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 governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the statement of net assets in the amount of \$151,213. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments of \$49,021 were made during fiscal year 2004 from the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease agreement and the present value of the minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 53,010
2006	<u>44,175</u>
Total minimum lease payments	97,185
Less amount representing interest	<u>(3,007)</u>
Total	<u>\$ 94,178</u>

**NOTE 10 - COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and state laws. Full-time classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to full-time classified employees upon termination of employment. Administrators (with the exception of principals) are given ten to twenty days of vacation per year by contract. Any unused vacation days at the end of the contract are forfeited. The only exception is the Superintendent who will be paid for any unused vacation days at the end of his contract. Teachers do not earn vacation time.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased from \$387,462 to \$394,483 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$54,821 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$47,800 from \$585,482 to \$537,682. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/04</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 394,483	\$ 45,561	\$ (24,268)	\$ 415,776	\$ 53,028
Capital lease obligation payable	<u>143,199</u>	<u>-</u>	<u>(49,021)</u>	<u>94,178</u>	<u>50,664</u>
Total long-term obligations, governmental activities	<u>\$ 537,682</u>	<u>\$ 45,561</u>	<u>\$ (73,289)</u>	<u>\$ 509,954</u>	<u>\$ 103,692</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$6,575,992 and an unvoted debt margin of \$72,961.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2004, the District retained property insurance coverage, boiler and machinery coverage, and inland marine floaters in the blanket amount of \$24,974,472 with 100% coinsurance, replacement cost endorsement and a \$2,500 deductible. Vehicles are covered by Auto-Owners Insurance Company and hold a \$250 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 limit of liability for bodily injury per person, per occurrence, and property damage.

Nationwide Insurance Companies provide general liability coverage with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate limit. The general liability insurance carries a \$1,000 deductible.

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

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**B. Employee Dishonesty Bonds**

The District carries employee dishonesty bonds for the Superintendent, Assistant Treasurer, and all Board Members, in the amount of \$20,000. Also an employee blanket dishonesty bond in the amount of \$5,000 is provided to cover all other employees of the District.

**C. Employee Group Medical, Dental, and Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to all regular contracted employees through Nationwide Insurance Company in the amount of \$40,000. Administrative staff is insured as follows:

Superintendent	\$75,000
Treasurer	52,000
High School Principal	67,898
Middle School Principal	62,063
Elementary Principal	63,654

For the period July 1, 2002 to June 30, 2003, the District provided employee dental benefits through a self-insurance program. The District maintains a self-insurance internal service fund to account for and finance its run-off claims from the program. Effective July 1, 2003, the District has elected to provide a comprehensive medical benefits package to the employees through fully insured program by Medical Mutual. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible. Included in this plan is a mail-in prescription drug plan with a \$5 per prescription deductible for drugs. The plan is administered by Medco Health, Inc. located in Columbus, Ohio. A portion of the total monthly premium paid into the internal service fund for the medical and prescription drug plan is \$565.53 for single coverage and \$1,272.43 for family coverage, with the remainder paid out of the same fund that pays the salary for the employee.

The District's amounts are capped by negotiated union contracts and cannot be increased except through negotiations. The non-certified employee monthly portion of the premium is \$20 for single coverage and \$30 for family coverage, which is withheld from their biweekly payroll. The certified employee monthly portion of the premium is \$30 for single coverage and/or family coverage, which is withheld from their biweekly payroll.

The District provides dental coverage for its employees on a fully-insured basis through Medical Mutual. The total monthly premium is \$24.85 for single coverage and \$74.55 for family coverage. There is no employee share for dental coverage.

Life insurance is provided in full, regardless of contracted hours. All employees (except bus drivers driving one AM and PM route) must be contracted for at least 6 hours a day for 180 days to be eligible to receive medical or dental insurance benefits.

No claims liability is reported in the internal service fund at June 30, 2004 as all applicable claims under the self-insurance programs were paid by fiscal year end. The following claims activity for the past two fiscal years is reported in accordance with the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus":



**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 12 - RISK MANAGEMENT - (Continued)**

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2004	\$ 108,514	\$ 35,796	\$ (144,310)	\$ -
2003	265,898	1,189,440	(1,346,824)	108,514

**D. Workers' Compensation**

The District uses the firm of Sheakley Uniservice, Inc. to provide administrative support for claims processing, and to assist the District in compliance with Bureau of Workers Compensation and Industrial Commission regulations. The District purchases its workers compensation coverage from the Bureau of Workers Compensation.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$161,619, \$159,169, and \$156,877, respectively; 49.12% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$82,224, represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The 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.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$484,947, \$487,522, and \$470,678, respectively; 82.78% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$83,510 represents the unpaid contribution for fiscal year 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients 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. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$34,639 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91% 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 fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$69,971 during the 2004 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (125,129)
Net adjustment for revenue accruals	143,801
Net adjustment for expenditure accruals	(9,907)
Adjustment for encumbrances	13,863
GAAP basis	\$ 22,628

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. State School Funding Decision**

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 District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Reserve</u>
Set-aside cash balance as of June 30, 2003	\$ (183,694)	\$ (174,933)	\$ 35,920
Current year set-aside requirement	110,055	110,055	-
Qualifying disbursements	<u>(236,421)</u>	<u>(2,206)</u>	<u>-</u>
Total	<u>\$ (310,060)</u>	<u>\$ (67,084)</u>	<u>\$ 35,920</u>
Cash balance carried forward to FY 2005	<u>\$ (310,060)</u>	<u>\$ (67,084)</u>	<u>\$ 35,920</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero in the textbook and capital acquisition reserves, these extra amounts may be used to reduce the set-aside requirements of future years.

A schedule of the restricted assets at June 30, 2004 follows:

Amounts restricted for budget reserve	<u>\$ 35,920</u>
Total restricted assets	<u>\$ 35,920</u>

**NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS**

The District hired Kevin Ready as Superintendent effective August 1, 2004 and Julie Smith was hired as Treasurer effective January 1, 2005.

**NOTE 19 - GOING CONCERN**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America which contemplates continuation of the District's general fund as a going concern. The District has seen a deteriorating fund balance in the general fund. The District is currently projecting a negative balance at June 30, 2006 of approximately \$60,000. The District is attempting to create a financial recovery plan.

## **SUPPLEMENTAL DATA**

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A),(C) Food Distribution	10.550	N/A	\$ -	\$ 30,299	\$ -	\$ 30,299
(A),(D) School Breakfast Program	10.553	045344-05PU-2003	3,038	-	3,038	-
(A),(D) National School Lunch	10.553	045344-05PU-2004	21,885	-	21,885	-
(A),(D) National School Lunch	10.555	045344-LLP4-2003	14,438	-	14,438	-
(A),(D) National School Lunch	10.555	045344-LLP4-2004	91,524	-	91,524	-
<b>Total Nutrition Cluster</b>			<u>130,885</u>	<u>30,299</u>	<u>130,885</u>	<u>30,299</u>
(D) Child & Adult Food Care	10.558	045344-CCMO-2003	1,150	-	1,150	-
(D) Child & Adult Food Care	10.558	045344-CCMO-2004	3,240	-	3,240	-
<b>Total Child &amp; Adult Food Care</b>			<u>4,390</u>	<u>-</u>	<u>4,390</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>			<u>135,275</u>	<u>30,299</u>	<u>135,275</u>	<u>30,299</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I - Grants to Local Educational Agencies	84.010	045344-C1-S1-2002	149,520		340,155	
Title I - Grants to Local Educational Agencies	84.010	045344-C1-S1-2003	109,904		170,279	
Title I - Grants to Local Educational Agencies	84.010	045344-C1-S1-2004	210,394		87,137	
<b>Total Title I - Grants to Local Educational Agencies</b>			<u>469,818</u>		<u>597,571</u>	
<b>Special Education Cluster:</b>						
(B) Special Education: Grants to States	84.027	045344-6B-SF-2003-P	46,602		65,987	
(B) Special Education: Grants to States	84.027	045344-6B-SF-2004-P	73,257		63,455	
<b>Total Special Education: Grants to States</b>			<u>119,859</u>		<u>129,442</u>	
(B) Special Education - Preschool Grants	84.173	045344-PGS1-2003-P	3,727		4,545	
(B) Special Education - Preschool Grants	84.173	045344-PGS1-2004-P	4,564		4,133	
<b>Total Special Education - Preschool Grants</b>			<u>8,291</u>		<u>8,678</u>	
<b>Total Special Education Cluster</b>			<u>128,150</u>		<u>138,120</u>	
Safe and Drug-Free Schools and Communities	84.186	045344-DR-S1-2002	501		594	
(F) Safe and Drug-Free Schools and Communities	84.186	045344-DR-S1-2003	(558)		1,139	
Safe and Drug-Free Schools and Communities	84.186	045344-DR-S1-2004	5,682		10,196	
<b>Total Safe and Drug-Free Schools and Communities</b>			<u>5,625</u>		<u>11,929</u>	
(F) Goals 2000	84.276	045344-GSS1-2000	(11,045)			
(F) Eisenhower Professional Development	84.281	045344-MSS1-2001	(2,791)			
(F) Title VI - State Grants for Innovative Programs	84.298	045344-C2S1-2003	(216)			
Title VI - State Grants for Innovative Programs	84.298	045344-C2S1-2004	5,154			
<b>Total Title VI - State Grants for Innovative Programs</b>			<u>4,938</u>			
Education Technology- State Grants	84.318	045344-TJS1-2003	4,074		2,680	
Education Technology- State Grants	84.318	045344-TJS1-2004	2,722		4,049	
<b>Total Education Technology- State Grants</b>			<u>6,796</u>		<u>6,729</u>	
Title VI-R - Class Size Reduction	84.340	045344-CRS1-2002	26,453		26,453	
Improving Teacher Quality- State Grants	84.367	045344-TRS1-2003	46,096		56,335	
Improving Teacher Quality- State Grants	84.367	045344-TRS1-2004	56,280		56,280	
<b>Total Improving Teacher Quality- State Grants</b>			<u>102,376</u>		<u>112,615</u>	
<b>Total U.S. Department of Education</b>			<u>730,320</u>		<u>893,417</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 865,595</u>	<u>\$ 30,299</u>	<u>\$ 1,028,692</u>	<u>\$ 30,299</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) Included as part of "Special Education Grant Cluster" in determining major programs.
- (C) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) This schedule was prepared on the cash basis of accounting.
- (F) These amounts were refunded to the Ohio Department of Education based on the grant exceeding the period of availability.

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Education  
Crestline Exempted Village School District  
511 South Thoman  
Crestline, Ohio 44827

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Crestline Exempted Village School District, Crawford County, as of and for the fiscal year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 23, 2005. During the fiscal year ended June 30, 2004, the Crestline Exempted Village School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 39, Determining Whether Certain Organizations are Component Units; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, capital assets have been restated due to fund reclassifications, changes in the District's capital asset policy, and errors and omissions reported in prior years as described in Note 8A. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal 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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 that we have reported to the management of the District in a separate letter dated February 23, 2005.



Board of Education  
Crestline Exempted Village School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crestline Exempted Village School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-CEVSD-001, 2004-CEVSD-002 and 2004-CEVSD-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of Crestline Exempted Village School District in a separate letter dated February 23, 2005.

This report is intended solely for the information and use of the management and Board of Education of Crestline Exempted Village School District, Crawford County, 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.



Trimble, Julian & Grube, Inc.  
February 23, 2005

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## **Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133***

Board of Education  
Crestline Exempted Village School District  
511 South Thoman  
Crestline, Ohio 44827

### Compliance

We have audited the compliance of Crestline Exempted Village School District (the “District”), Crawford County, 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 fiscal year ended June 30, 2004. During the fiscal year ended June 30, 2004, the Crestline Exempted Village School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 39, Determining Whether Certain Organizations are Component Units; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements; and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, capital assets have been restated due to fund reclassifications, changes in the District’s capital asset policy, and errors and omissions reported in prior years as described in Note 8A. 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 compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit 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 Crestline Exempted Village School 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 Crestline Exempted Village School District’s compliance with those requirements.

Board of Education  
Crestline Exempted Village School District

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 fiscal year ended June 30, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 compliance that we have reported to the management of the District in a separate letter dated February 23, 2005.

This report is intended solely for the information and use of management, the Board of Education of Crestline Exempted Village School District, Crawford County, 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.



Trimble, Julian & Grube, Inc.  
February 23, 2005

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

**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 non-compliance at the financial statement level (GAGAS)?	Yes
<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 Program:	Title I CFDA# 84.010
<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

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO  
JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

<b>2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2004-CEVSD-001

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the District had expenditures exceeding appropriations in the following funds:

<u>Major Fund</u>	<u>Amount</u>
General Fund	\$ 112,991
 <u>Nonmajor Funds</u>	
District Managed Activities	5,683
Management Information Services	179
Public School Preschool	244,364
Ohio Reads	15,405
Miscellaneous State Grants	10,380
Special Education: Grants to States	83,863
Title I - Grants for Local Education Agencies	386,720
Title VI - State Grants for Innovative Programs	3,147
Safe and Drug Free Schools and Communities	14,370
Special Education: Preschool Grant	4,095
E-Rate	300
Improving Teacher Quality	139,068
Miscellaneous Federal Grants	47,265
Food Service	1,602
Uniform School Supplies	1,830
Daycare	58,341

With expenditures exceeding appropriations, the District is unlawfully expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

<b>2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2003-CEVSD-002

Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following funds:

<u>Nonmajor Funds</u>	<u>Amount</u>
Other Grant Funds	\$ 2,300
Auxilliary Services	24,211
Disadvantaged Pupil Impact Aid	135,000
Data Communications	83,838
School Net Professional Development	4,581
Textbooks/Instructional Material Subsidy	5,183
Summer Intervention	10,325
Food Service	47,359

With appropriations exceeding estimated resources the District may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2004-CEVSD-003

Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.

It was noted during the audit that at June 30, 2004, the District had a negative cash balance in the following funds.

<u>Fund Type</u>	<u>Fund</u>	<u>Amount</u>
Special Revenue	Food Service	\$ 16,351
Special Revenue	Public School Preschool	39,624
Special Revenue	DPIA	127,034
Special Revenue	Summer Intervention	8,074
Special Revenue	Title I - Grants to Local Educational Agencies	145,408
Special Revenue	Title VI - State Grants for Innovative Programs	1,760
Special Revenue	Drug Free Schools and Communities	6,213
Special Revenue	Miscellaneous Federal Grants	17,848

The District has spent monies not available to that fund and thus causing noncompliance. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the District properly record receipts as deposits in transit only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board approval.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</b>
2003-CEVSD-001	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	Re-issued as finding number 2004-CEVSD-001.
2003-CEVSD-002	Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.	No	Re-issued as finding number 2004-CEVSD-002.





**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT**

**CRAWFORD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 7, 2005**