



**Auditor of State
Betty Montgomery**

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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VAN WERT COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Crestview Local School District
Van Wert County
531 E. Tully Street
Convoy, Ohio 45832

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestview Local School District, Van Wert County, (the School District), as of and for the years ended June 30, 2006 and June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crestview Local School District, Van Wert County, as of June 30, 2006 and June 30, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the fiscal years ended June 30, 2006 and June 30, 2005, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2006, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

November 13, 2006

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Crestview Local School District's financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2006 and June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal years 2006 and 2005 are as follows:

- In total, net assets increased \$254,249 in fiscal year 2006 and \$260,474 fiscal year 2005.
- General revenues totaled \$7,559,946, or were 82 percent of all revenues in fiscal year 2006. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$1,692,624 or 18 percent of total revenues of \$9,252,570 in fiscal year 2006. General revenues totaled \$6,946,479, or were 80 percent of all revenues for fiscal year 2005. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$1,783,024 or 20 percent of total revenues of \$8,684,503 in fiscal year 2005.
- The District's major funds included the General Fund and the Permanent Improvement Capital Projects Fund. In fiscal year 2006, the General Fund had \$7,610,425 in receipts and other financing sources and \$7,509,304 in disbursements and other financing uses. The fiscal year 2006 General Fund's balance increased \$101,121 from the prior fiscal year. In fiscal year 2006, the Permanent Improvement Capital Projects Fund had \$407,818 in receipts and other financing sources and \$239,008 in disbursements. The fiscal year 2006 Permanent Improvement Capital Projects Fund's balance increased \$168,810 from the prior fiscal year. In fiscal year 2005, the General Fund had \$7,050,045 in receipts and other financing sources and \$7,160,412 in disbursements and other financing uses. The fiscal year 2005 General Fund's balance decreased \$110,367 from the prior fiscal year. In fiscal year 2005, the Permanent Improvement Capital Projects Fund had \$413,455 in receipts and other financing sources and \$81,164 in disbursements. The fiscal year 2005 Permanent Improvement Capital Projects Fund's balance increased \$332,291 from the prior fiscal year.
- In an effort to reverse anticipated deficit spending, the Board and Association agreed to a staff-wide pay freeze for the 2004-2005 school year, along with a plan to cut \$400,000 in General Fund expenditures for the 2004-2005, 2005-2006, 2006-2007, 2007-2008, and 2008-2009 school years. Spending cuts were not going to be enough to solve the District's deficit problem, so the Board placed a 1% income tax levy on the ballot in November, 2004. Once again, the loyal residents of the District showed their support by voting in this issue on the first try, with collection that began January 1, 2005, for five years.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities, both reported on the modified cash basis, 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.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
UNAUDITED
(Continued)**

Fund financial statements provide a greater 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 non-major funds presented in total in a single column. For the District, the General Fund is the most significant fund. The General Fund and the Permanent Improvement Capital Projects Fund are the District's major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities, both reported on the cash basis, reflects how the District did financially during fiscal years 2006 and 2005. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

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

In the statement of net assets, cash basis, and the statement of activities, cash basis, the District discloses a single type of activity - governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
UNAUDITED
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal years 2006 and 2005. The increase in the District's current assets between fiscal year 2005 and 2006 was attributed to the increase in income tax revenue.

**Table 1
Net Assets - Cash Basis
Governmental Activities**

	<u>2006</u>	<u>2005</u>
Assets:		
Current and Other Assets	\$2,658,170	\$2,403,921
Total Assets	<u>2,658,170</u>	<u>2,403,921</u>
Net Assets:		
Restricted	1,531,322	1,378,194
Unrestricted	1,126,848	1,025,727
Total	<u>2,658,170</u>	<u>\$2,403,921</u>

Table 2 reflects the changes in net assets for fiscal years 2006 and 2005. The increase in revenues was due to the increase in income tax revenue which allowed the increase in expenditures.

**Table 2
Change in Net Assets - Cash Basis
Governmental Activities**

	<u>2006</u>	<u>2005</u>
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$985,460	\$1,024,382
Operating Grants and Contributions	690,645	704,219
Capital Grants and Contributions	16,519	9,423
Total Program Revenues	<u>1,692,624</u>	<u>1,738,024</u>
General Revenues:		
Property Taxes	2,199,093	2,171,012
Income Taxes	487,792	37,146
Grants and Entitlements	4,467,173	4,352,330
Investment Earnings	96,097	61,669
Payments in Lieu of Taxes	266,135	273,070
Miscellaneous	34,495	46,647
Refund of Prior Year Expenditures	9,161	4,605
Total General Revenues	<u>7,559,946</u>	<u>6,946,479</u>
Total Revenues	<u>9,252,570</u>	<u>8,684,503</u>

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets - Cash Basis
Governmental Activities
(Continued)**

	2006	2005
Expenses:		
Instruction	4,985,552	4,608,922
Support Services:		
Pupils	456,188	616,370
Instructional Staff	206,814	200,770
Board of Education	32,444	25,519
Administration	580,654	556,426
Fiscal	194,663	189,128
Operation and Maintenance of Plant	562,079	540,719
Pupil Transportation	339,674	294,239
Central	155,932	145,220
Non-Instructional	423,164	464,333
Extracurricular Activities	532,089	418,098
Capital Outlay	236,515	77,290
Principal	285,000	265,000
Interest and Fiscal Charges	7,553	21,995
Total Expenses	8,998,321	8,424,029
Increase in Net Assets	\$254,249	\$260,474

Program receipts account for 18 percent of total receipts in fiscal year 2006 and 20 percent of total receipts in fiscal year 2005 and are represented by restricted intergovernmental receipts, extracurricular activities, latchkey receipts and food service sales.

For fiscal years 2006 and 2005, the major program disbursements for governmental activities are for instruction, which accounted for 55 percent and of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 11 percent of governmental disbursements in fiscal year 2006 and 13 percent in fiscal year 2005. Maintenance of the District's facilities also represents a significant disbursement of 6 percent in both fiscal years. The remaining disbursements of the District are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
Instruction	\$4,985,552	\$4,035,886	\$4,608,922	\$3,792,108
Support Services:				
Pupils	456,188	438,040	616,370	370,304
Instructional Staff	206,814	198,328	200,770	195,813
Board of Education	32,444	32,444	25,519	25,519
Administration	580,654	580,654	556,426	556,426
Fiscal	194,663	194,663	189,128	189,128
Operation and Maintenance of Plant	562,079	560,398	540,719	538,247
Pupil Transportation	339,674	331,248	294,239	291,354
Central	155,932	155,932	145,220	145,220
Non-Instructional	423,164	(1,190)	464,333	59,241
Extracurricular Activities	532,089	250,226	418,098	158,360
Capital Outlay	236,515	236,515	77,290	77,290
Principal	285,000	285,000	265,000	265,000
Interest and Fiscal Charges	7,553	7,553	21,995	21,995
Total Expenses	<u>8,998,321</u>	<u>\$7,305,697</u>	<u>8,424,029</u>	<u>\$6,686,005</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 80 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues was 81 percent in fiscal year 2006 and 79 percent in fiscal year 2005. The remaining amounts are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's major government funds are the General Fund and the Permanent Improvement Capital Projects Fund. Total governmental funds had receipts and other financing sources of \$9,518,705 and disbursements and other financing uses of \$9,264,456 in fiscal year 2006. The net positive change of \$254,249 in fund balance for the 2006 fiscal year indicates that the District was able to meet current costs. Total governmental funds had receipts and other financing sources of \$8,958,123 and disbursements of \$8,697,649 in fiscal year 2005. The net positive change of \$260,474 in fund balance for the 2005 fiscal year indicates that the District was able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006 and 2005, the District amended its General Fund budget as needed. Final expenditures were budgeted at \$7,644,814 while actual expenditures were \$7,509,689 for fiscal year 2006. Final expenditures were budgeted at \$7,312,834 while actual expenditures were \$7,163,831 for fiscal year 2005.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
UNAUDITED
(Continued)**

Debt Administration

At June 30, 2006, the District had \$1,620,000 in capital appreciation bonds from the 1993 advanced refunding of the 1988 bond issue. The bonds will mature in fiscal years 2007 through 2014. The bonds are retired from the Bond Retirement Debt Service Fund.

For further information regarding the District's debt, see note 12 to the basic financial statements.

Current Issues

The District's residents renewed an existing 5 mill operating levy on 11-8-05 and renewed an Emergency Levy in November 2006.

The challenge for all school districts is to provide a quality education with limited revenue growth. This is even more challenging for a rural district such as Crestview Local Schools. On July 1, 2005, legislation was passed (HB66) to eliminate Tangible Personal Property tax and replace it with a Commercial Activity Tax (CAT) that will flow through the state instead of through the local County Auditor. It is anticipated that this new CAT will be a reduction in revenue for the District. The five-year forecast is predicting a deficit for fiscal year 2010; but it may be sooner depending on the effects of HB66.

The District is proud to hold the status of "Excellent" school district. This academic growth has been achieved by staff and administration dedication to improvement, an increase in professional development, and community support.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Laura Metzger, Treasurer, Crestview Local School District, 531 E. Tully St., Convoy, OH 45832.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2006**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,658,170
Total Assets	<u>2,658,170</u>
Net Assets:	
Restricted for:	
Debt Service	212,139
Capital Outlay	1,087,807
Other Purposes	231,376
Unrestricted	1,126,848
Total Net Assets	<u><u>\$2,658,170</u></u>

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$3,788,722	\$66,506	\$60,477	\$11,520	(\$3,650,219)
Special	783,577	294,294	482,799		(6,484)
Vocational	175,536		34,070		(141,466)
Other	237,717				(237,717)
Support Services:					
Pupils	456,188		18,148		(438,040)
Instructional Staff	206,814		8,486		(198,328)
Board of Education	32,444				(32,444)
Administration	580,654				(580,654)
Fiscal	194,663				(194,663)
Operation and Maintenance of Plant	562,079		1,681		(560,398)
Pupil Transportation	339,674		3,427	4,999	(331,248)
Central	155,932				(155,932)
Operation of Non-Instructional Services	423,164	342,797	81,557		1,190
Extracurricular Activities	532,089	281,863			(250,226)
Capital Outlay	236,515				(236,515)
Debt Service:					
Principal	285,000				(285,000)
Interest and Fiscal Charges	7,553				(7,553)
Totals	<u><u>\$8,998,321</u></u>	<u><u>\$985,460</u></u>	<u><u>\$690,645</u></u>	<u><u>\$16,519</u></u>	<u><u>(7,305,697)</u></u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					1,748,798
Property Taxes, Levied for Capital Outlay					126,777
Property Taxes, Levied for Debt Service					291,824
Property Taxes, Levied for School Facilities					31,694
Income Taxes					487,792
Grants and Entitlements not Restricted to Specific Programs					4,467,173
Investment Earnings					96,097
Payments in lieu of Taxes					266,135
Miscellaneous					34,495
Refund of Prior Year Expenditures					9,161
Total General Revenues					<u><u>7,559,946</u></u>
Change in Net Assets					254,249
Net Assets Beginning of Year					<u><u>2,403,921</u></u>
Net Assets End of Year					<u><u>\$2,658,170</u></u>

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,121,849	\$1,076,287	\$455,035	\$2,653,171
Restricted Asset: Equity in Pooled Cash	4,999			4,999
Total Assets	<u>1,126,848</u>	<u>1,076,287</u>	<u>455,035</u>	<u>2,658,170</u>
Fund Balances				
Reserved for Encumbrances	385		424	809
Reserved for Bus Purchases	4,999			4,999
Unreserved, Undesignated, Reported in:				
General Fund	1,121,464			1,121,464
Special Revenue Funds			230,952	230,952
Debt Service Funds			212,139	212,139
Capital Projects Funds		1,076,287	11,520	1,087,807
Total Fund Balances	<u>1,126,848</u>	<u>1,076,287</u>	<u>455,035</u>	<u>2,658,170</u>
Total Liabilities and Fund Balances	<u>\$1,126,848</u>	<u>\$1,076,287</u>	<u>\$455,035</u>	<u>\$2,658,170</u>

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and Other Local Taxes	\$1,748,798	\$126,777	\$323,518	\$2,199,093
Income Tax	487,792			487,792
Intergovernmental	4,446,334	14,906	470,655	4,931,895
Interest	94,281		1,816	96,097
Tuition and Fees	561,240		22,627	583,867
Extracurricular Activities			298,493	298,493
Sales/Charges for Services			341,685	341,685
Payments in Lieu of Taxes	266,135			266,135
Miscellaneous	862		37,490	38,352
Total Revenues	<u>7,605,442</u>	<u>141,683</u>	<u>1,496,284</u>	<u>9,243,409</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,690,387		98,335	3,788,722
Special	523,041		260,536	783,577
Vocational	175,536			175,536
Other	237,717			237,717
Support Services:				
Pupils	418,555		37,633	456,188
Instructional Staff	191,267		15,547	206,814
Board of Education	32,444			32,444
Administration	580,654			580,654
Fiscal	183,956	2,493	8,214	194,663
Operation and Maintenance of Plant	507,928		54,151	562,079
Pupil Transportation	339,425		249	339,674
Central	155,932			155,932
Operation of Non-Instructional Services			423,164	423,164
Extracurricular Activities	206,327		325,762	532,089
Capital Outlay		236,515		236,515
Debt Service:				
Principal			285,000	285,000
Interest			7,553	7,553
Total Expenditures	<u>7,243,169</u>	<u>239,008</u>	<u>1,516,144</u>	<u>8,998,321</u>
Excess of Revenues Over (Under) Expenditures	<u>362,273</u>	<u>(97,325)</u>	<u>(19,860)</u>	<u>245,088</u>
Other Financing Sources and Uses:				
Transfers In		266,135		266,135
Refund of Prior Year Expenditures	4,983		4,178	9,161
Transfers Out	(266,135)			(266,135)
Total Other Financing Sources and Uses	<u>(261,152)</u>	<u>266,135</u>	<u>4,178</u>	<u>9,161</u>
Net Change in Fund Balances	101,121	168,810	(15,682)	254,249
Fund Balance (Deficit) at Beginning of Year	1,025,727	907,477	470,717	2,403,921
Fund Balance (Deficit) at End of Year	<u>\$1,126,848</u>	<u>\$1,076,287</u>	<u>\$455,035</u>	<u>\$2,658,170</u>

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property and Other Local Taxes	\$1,739,339	\$1,746,922	\$1,748,798	\$1,876
Income Tax	700,000	487,792	487,792	
Intergovernmental	4,447,116	4,442,419	4,446,334	3,915
Interest	60,000	83,791	94,281	10,490
Tuition and Fees	540,000	560,000	561,240	1,240
Miscellaneous	300	300	862	562
Payments in Lieu of Taxes	270,000	266,135	266,135	
Total Revenues	<u>7,756,755</u>	<u>7,587,359</u>	<u>7,605,442</u>	<u>18,083</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,773,974	3,696,500	3,690,772	5,728
Special	556,307	593,902	523,041	70,861
Vocational	181,150	181,150	175,536	5,614
Other	193,000	223,000	237,717	(14,717)
Support Services:				
Pupils	406,444	412,544	418,555	(6,011)
Instructional Staff	232,515	218,365	191,267	27,098
Board of Education	14,820	33,970	32,444	1,526
Administration	591,685	590,635	580,654	9,981
Fiscal	183,795	183,875	183,956	(81)
Operation and Maintenance of Plant	493,059	526,210	507,928	18,282
Pupil Transportation	302,575	346,168	339,425	6,743
Central	148,725	150,225	155,932	(5,707)
Extracurricular Activities				
Academic Oriented Activities	18,240	18,240	17,420	820
Occupation Oriented Activities	2,100	2,100	2,273	(173)
Sport Oriented Activities	190,475	190,475	176,810	13,665
School and Public Service Co-Curricular Act	11,320	11,320	9,824	1,496
Total Expenditures	<u>7,300,184</u>	<u>7,378,679</u>	<u>7,243,554</u>	<u>(135,125)</u>
Excess of Revenues Over (Under) Expenditures	<u>456,571</u>	<u>208,680</u>	<u>361,888</u>	<u>153,208</u>
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures	4,982	4,982	4,983	1
Transfers Out	(270,000)	(266,135)	(266,135)	
Total Other Financing Sources and Uses	<u>(265,018)</u>	<u>(261,153)</u>	<u>(261,152)</u>	<u>1</u>
Net Change in Fund Balances	191,553	(52,473)	100,736	153,209
Fund Balance (Deficit) at Beginning of Year	1,022,308	1,022,308	1,022,308	
Prior Year Encumbrances Appropriated	3,418	3,418	3,418	
Fund Balance (Deficit) at End of Year	<u>\$1,217,279</u>	<u>\$973,253</u>	<u>\$1,126,462</u>	<u>\$153,209</u>

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006**

	Private Purpose Trust	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$3,695	\$16,439
Total Assets	3,695	16,439
Liabilities		
Current Liabilities:		
Undistributed Monies		16,439
Total Liabilities		16,439
Net Assets		
Held in Trust for Scholarships	3,695	
Total Net Assets	\$3,695	\$0

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Private Purpose Trust</u>
Additions:	
Gifts/Donations	\$4,195
Total Additions	<u>4,195</u>
Deductions:	
Payments in Accordance with Trust Agreements	3,500
Total Deductions	<u>3,500</u>
Change in Net Assets	695
Net Assets Beginning of Year	<u>3,000</u>
Net Assets End of Year	<u><u>\$3,695</u></u>

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2005**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,403,921</u>
Total Assets	<u>2,403,921</u>
Net Assets:	
Restricted For:	
Debt Service	185,893
Capital Outlay	907,477
Other Purposes	284,824
Unrestricted	<u>1,025,727</u>
Total Net Assets	<u><u>\$2,403,921</u></u>

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
OR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$3,670,259	\$403,495	\$34,509	\$9,423	(\$3,222,832)
Special	580,393		338,400		(241,993)
Vocational	170,139		30987		(139,152)
Other	188,131				(188,131)
Support Services:					
Pupils	616,370	37,353	208,713		(370,304)
Instructional Staff	200,770		4,957		(195,813)
Board of Education	25,519				(25,519)
Administration	556,426				(556,426)
Fiscal	189,128				(189,128)
Operation and Maintenance of Plant	540,719		2,472		(538,247)
Pupil Transportation	294,239		2885		(291,354)
Central	145,220				(145,220)
Operation of Non-Instructional Services	464,333	327,396	77,696		(59,241)
Extracurricular Activities	418,098	256,138	3,600		(158,360)
Capital Outlay	77,290				(77,290)
Debt Service:					
Principal	265,000				(265,000)
Interest and Fiscal Charges	21,995				(21,995)
Totals	\$8,424,029	\$1,024,382	\$704,219	\$9,423	(\$6,686,005)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	1,725,355
Property Taxes, Levied for Capital Outlay	125,473
Property Taxes, Levied for Debt Service	288,816
Property Taxes, Levied for School Facilities	31,368
Income Taxes	37,146
Payments in Lieu of Taxes	273,070
Grants and Entitlements not Restricted to Specific Programs	4,352,330
Miscellaneous	46,647
Investment Earnings	61,669
Refund of Prior Year Expenditures	4,605
Total General Revenues	6,946,479
 Change in Net Assets	 260,474
 Net Assets Beginning of Year	 2,143,447
 Net Assets End of Year	 \$2,403,921

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,016,304	\$907,477	\$470,717	\$2,394,498
Restricted Assets: Equity in Pooled Cash	9,423			9,423
Total Assets	<u>1,025,727</u>	<u>907,477</u>	<u>470,717</u>	<u>2,403,921</u>
Fund Balances:				
Reserve for encumbrances	3,418	990	14,565	18,973
Reserve for bus purchase	9,423			9,423
Unreserved, Undesignated, Reported in:				
General Fund	1,012,886			1,012,886
Special Revenue Funds			270,259	270,259
Debt Service Funds			185,893	185,893
Capital Projects Funds		906,487		906,487
Total Fund Balances	<u>1,025,727</u>	<u>907,477</u>	<u>470,717</u>	<u>2,403,921</u>
Total Liabilities and Fund Balances	<u>\$1,025,727</u>	<u>\$907,477</u>	<u>\$470,717</u>	<u>\$2,403,921</u>

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and Other Local Taxes	\$1,725,355	\$125,473	\$320,184	\$2,171,012
Income Tax	37,146			37,146
Intergovernmental	4,414,549	14,912	460,552	4,890,013
Interest	60,076		1,593	61,669
Tuition and Fees	534,316		26,454	560,770
Extracurricular Activities			272,523	272,523
Sales/Charges for Services			362,668	362,668
Payments in Lieu of Taxes	273,070			273,070
Miscellaneous	383		50,644	51,027
Total Revenues	7,044,895	140,385	1,494,618	8,679,898
Expenditures:				
Current:				
Instruction:				
Regular	3,557,584		112,675	3,670,259
Special	512,746		67,647	580,393
Vocational	170,139			170,139
Other	188,131			188,131
Support Services:				
Pupils	393,671		222,699	616,370
Instructional Staff	196,156		4,614	200,770
Board of Education	25,519			25,519
Administration	555,866		560	556,426
Fiscal	177,825	3,174	8,129	189,128
Operation and Maintenance of Plant	476,409	700	63,610	540,719
Pupil Transportation	294,082		157	294,239
Central	145,220			145,220
Operation of Non-Instructional Services			464,333	464,333
Extracurricular Activities	193,994		224,104	418,098
Capital Outlay		77,290		77,290
Debt Service:				
Principal			265,000	265,000
Interest			21,995	21,995
Total Expenditures	6,887,342	81,164	1,455,523	8,424,029
Excess of Revenues Over (Under) Expenditures	157,553	59,221	39,095	255,869
Other Financing Sources and Uses:				
Transfers In		273,070		273,070
Refund of Prior Year Expenditures	4,600		5	4,605
Advances In	550			550
Transfers Out	(273,070)			(273,070)
Advances Out			(550)	(550)
Total Other Financing Sources and Uses	(267,920)	273,070	(545)	4,605
Net Change in Fund Balances	(110,367)	332,291	38,550	260,474
Fund Balance (Deficit) at Beginning of Year	1,136,094	575,186	432,167	2,143,447
Fund Balance (Deficit) at End of Year	<u>\$1,025,727</u>	<u>\$907,477</u>	<u>\$470,717</u>	<u>\$2,403,921</u>

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property and Other Local Taxes	\$1,766,414	\$1,724,571	\$1,725,355	\$784
Income Tax		37,146	37,146	
Intergovernmental	4,524,834	4,417,538	4,414,549	(2,989)
Interest	55,000	53,000	60,076	7,076
Tuition and Fees	505,790	527,678	534,316	6,638
Payments in Lieu of Taxes	276,119	273,070	273,070	
Miscellaneous	2,500	1,000	383	(617)
Total Revenues	<u>7,130,657</u>	<u>7,034,003</u>	<u>7,044,895</u>	<u>10,892</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,705,644	3,608,844	3,559,762	49,082
Special	564,915	557,416	512,746	44,670
Vocational	191,314	189,814	170,139	19,675
Other	226,800	226,800	188,131	38,669
Support Services:				
Pupils	358,475	358,625	393,780	(35,155)
Instructional Staff	212,661	212,661	196,156	16,505
Board of Education	24,668	24,668	25,589	(921)
Administration	572,229	573,029	555,866	17,163
Fiscal	181,981	182,680	178,605	4,075
Operation and Maintenance of Plant	475,492	495,684	476,691	18,993
Pupil Transportation	281,637	267,637	294,082	(26,445)
Central	145,895	145,395	145,220	175
Extracurricular Activities:				
Academic Oriented Activities	16,510	16,510	16,717	(207)
Occupation Oriented Activities	1,880	1,880	1,981	(101)
Sport Oriented Activities	168,925	166,725	166,347	378
School and Public Service Co-Curricular Activities	8,396	8,396	8,949	(553)
Capital Outlay:				
Architecture and Engineering Services	3,000	3,000		3,000
Total Expenditures	<u>7,140,422</u>	<u>7,039,764</u>	<u>6,890,761</u>	<u>149,003</u>
Excess of Revenues Over (Under) Expenditures	<u>(9,765)</u>	<u>(5,761)</u>	<u>154,134</u>	<u>159,895</u>
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures	571	4,600	4,600	
Advances In		550	550	
Transfers Out		(273,070)	(273,070)	
Advances Out	(276,119)			
Total Other Financing Sources and Uses	<u>(275,548)</u>	<u>(267,920)</u>	<u>(267,920)</u>	
Net Change in Fund Balances	<u>(285,313)</u>	<u>(273,681)</u>	<u>(113,786)</u>	<u>159,895</u>
Fund Balance (Deficit) at Beginning of Year	<u>1,133,059</u>	<u>1,133,059</u>	<u>1,133,059</u>	
Prior Year Encumbrances Appropriated	<u>3,036</u>	<u>3,036</u>	<u>3,036</u>	
Fund Balance (Deficit) at End of Year	<u>\$850,782</u>	<u>\$862,414</u>	<u>\$1,022,309</u>	<u>\$159,895</u>

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

	Private Purpose Trust	Agency Fund
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$3,000	\$15,653
Total Current Assets	3,000	15,653
Total Assets	3,000	15,653
Liabilities:		
Current Liabilities:		
Undistributed Monies		15,653
Total Current Liabilities		15,653
Total Liabilities		15,653
Net Assets:		
Held in Trust for Scholarships	3,000	
Total Net Assets	\$3,000	\$0

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	<u>\$5,000</u>
Total Additions	<u>5,000</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>5,500</u>
Total Deductions	<u>5,500</u>
Change in Net Assets	(500)
Net Assets Beginning of Year	<u>3,500</u>
Net Assets End of Year	<u><u>\$3,000</u></u>

See accompanying notes to the basic financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Crestview Local School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District is located in a prosperous community within Van Wert County, consisting of residences and significant office and retail commercial development. The District is staffed by 40 non-certificated employees and 71 certificated employees who provide services to 1,036 students and other community members.

Reporting Entity

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

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

The District is associated with five organizations, which are defined as jointly governed organizations, and insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Vantage Career Center, Van Wert Area Schools Consortium Local Professional Development Committee, Van Wert Area School Insurance Group, and the Ohio School Boards Association Workers' Compensation Group rating Plan. These organizations are presented in Notes 14 and 15 of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A and 2 B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

B. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

2. Fund Financial Statements

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

C. Fund Accounting

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

1. Governmental Funds:

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The District's major funds are the General Fund and the Permanent Improvement Capital Projects Fund.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 to the District for any purpose provided it is expended and transferred according to the general laws of Ohio.

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

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

2. Fiduciary Funds

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 not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships for students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level within the General Fund, and at the fund level within all other funds, are made by the District Treasurer.

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2006 and 2005, the District's investments included only nonnegotiable certificates of deposit.

Following Ohio Statutes, the Board of Education has by resolution specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2006 was \$96,097 which includes \$94,281 credited to the General Fund and \$1,816 assigned to other District Funds. While total interest receipts credited during fiscal year 2005 was \$61,669 which includes \$60,076 credited to the General Fund and \$1,593 assigned to other School District Funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

The restricted assets in the General Fund were for a bus purchases.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

I. Long-term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Net 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. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specific purposes.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

L. Interfund Balances

On fund financial statements, short-term interfund loans are classified as "Advances In/Out". Interfund balances within governmental activities are eliminated on the statement of net assets.

M. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use and not available for appropriation or disbursement. 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 and bus purchases.

3. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

4. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2006 and 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure". GASB Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

5. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year, the District reported fund financial statements by fund type using the cash basis of accounting. In implementing the other comprehensive basis of accounting described in Note 2, the fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type. The District made the following modifications to the cash basis of accounting in implementing the modified cash basis of accounting:

Fund	Fund Balance at June 30, 2004	General Fund	Permanent Improvement Fund	Other Gov't Funds	Private Purpose Trust Funds	Agency Funds	Total
General	\$1,136,094	\$1,136,094					\$1,136,094
Special Revenue	183,188			183,188			183,188
Debt Service	157,054			157,054			157,054
Capital Projects	599,387		575,186	24,201			599,387
Expendable Trust	11,312			7,812	3,500		11,312
Enterprise Fund	59,555			59,555			59,555
Internal Service	357			357			357
Agency	18,878					18,878	18,878
Adjusted June 30, 2004	\$2,165,825	\$1,136,094	\$575,186	\$432,167	\$3,500	\$18,878	\$2,165,825

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

As of June 30, 2006 and June 30, 2005, the District had \$1,600 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District has no deposit policy for custodial risk beyond the requirements of State statute. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At June 30, 2006, the carrying amount of the District's deposits was \$2,676,704 and the bank balance was \$ 2,813,684. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,713,684 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name.

At June, 30, 2005, the carrying amount of the District's deposits was \$2,420,974 and the bank balance was \$2,611,298. Of the bank balance, \$200,000 was covered by federal depository insurance and \$2,411,298 was uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

As of June 30, 2006 and June 30, 2005, the District didn't have any investments.

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer.

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

7. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Van Wert County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and other Real Estate	\$61,893,370	88.1%	\$62,012,930	89.0%
General	1,445,727	2.0%	943,670	1.4%
Public Utilities	6,953,690	9.9%	6,676,400	9.6%
Total Assessed Value	<u>\$70,292,787</u>	<u>100%</u>	<u>\$69,633,000</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$47.50		\$47.50	

8. INCOME TAXES

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax levy was effective on January 1, 2005, for a five-year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

9. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2006, the District carried property and general liability insurance and boiler and machinery insurance. Professional liability is protected with \$2,000,000 each occurrence, \$4,000,000 in annual aggregate limit.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

9. RISK MANAGEMENT (Continued)

Vehicles are covered by Selective Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. In addition, there is a \$2,000,000 excess liability policy, which provides additional liability coverage to both the general liability policy and the auto policy.

The Treasurer's position bond, Superintendent's and Board Members' bonds are provided by Travelers Casualty and Surety Company.

B. Health Care Benefits

The District participates in the Van Wert Area School Insurance Group, a public entity shared risk pool consisting of five members (See Note 15). Each member pays premiums to VWASIG for employee medical, dental, and life insurance benefits to the employees of the participants. VWASIG is responsible for the payment of all the VWASIG liabilities to its employees, dependants, and designated beneficiaries accruing as a result of the withdrawal. Upon termination of VWASIG, all members' claims would be paid without regard to the member's account balance.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the Plan.

10. DEFINED BENEFIT PENSION PLAN

A. 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 to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available 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.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

10. DEFINED BENEFIT PENSION PLAN (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of 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 DCP 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.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004 was \$502,972, \$492,546, and \$488,152, respectively; equal to the required contributions for each year. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$6,026 made by the School District and \$13,098 made by plan members.

B. 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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available 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 43215-3746.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

10. DEFINED BENEFIT PENSION PLAN (Continued)

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 was \$101,986, \$98,510 and \$85,462, respectively; equal to the required contributions for each year.

C. Social Security System

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

11. POST-EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by STRS based on authority granted by State statute. STRS is funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$38,690.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005 (the latest information available). For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. 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 percent for those who apply.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$47,406 for fiscal year 2006.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants currently receiving health care benefits.

12. LONG TERM OBLIGATIONS

General Obligation Bonds - On July 1, 1993, the District issued bonds to refund \$2,600,000 School Improvement Bonds Dated December 1, 1988 which were outstanding in the principal amount of \$2,360,000 issued pursuant to a vote of the electors of the District at an election held on November 4, 1986 and \$665,000 School Improvement Bonds dated October 1, 1991 which were outstanding in the principal amount of \$640,000 issued pursuant to a vote of the electors of the District at an election held on May 8, 1990. The bond issue included current interest bonds and capital appreciation bonds in the amount of \$2,790,000 and \$209,832, respectively. The current interest bonds bear an interest rate of 2.75% to 5.30% and the capital appreciation bonds bear an interest rate of 5.70% to 5.85%. As of June 30, 2006, the general obligation bonds were paid in full.

The capital appreciation bonds will mature in fiscal years 2007 through 2014. The maturity amounts of the bonds are \$295,000 for fiscal year 2007, \$290,000 for fiscal year 2008, \$295,000 for fiscal year 2009, \$295,000 for fiscal year 2010, \$295,000 for fiscal year 2011, \$50,000 for fiscal year 2012, \$50,000 for fiscal year 2013, and \$50,000 for fiscal year 2014. Capital appreciation bonds are not subject to redemption prior to maturity. The annual requirements to service the principal and interest of the capital appreciation bonds to maturity are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$138,913	\$156,087	\$295,000
2008	128,195	161,805	290,000
2009	122,298	172,702	295,000
2010	115,501	179,499	295,000
2011	108,165	186,835	295,000
2012-2014	49,063	100,937	150,000
Total	<u>\$662,135</u>	<u>\$957,865</u>	<u>\$1,620,000</u>

At June 30, 2006, the District's overall legal debt margin was \$4,046,094, with an un-voted debt margin of \$62,957.

13. SET ASIDE DISCLOSURE

As stated in House Bill 412, revised in Senate Bill 345, school districts are required to maintain two reserves - one for capital acquisition and maintenance, and one for textbooks and other instructional materials. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

13. SET ASIDE DISCLOSURE (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30,2004	(\$120,947)	\$0
Current Year Set-aside Requirement	150,748	150,748
Qualifying Disbursements	(119,720)	(162,638)
Cash Balance Carried forward to FY 2006	<u>(\$89,919)</u>	<u>\$0</u>
Set-aside Cash Balance as of June 30,2005	(\$89,919)	\$0
Current Year Set-aside Requirement	150,740	150,740
Qualifying Disbursements	(103,411)	(204,535)
Cash Balance Carried forward to FY 2007	<u>(\$42,590)</u>	<u>\$0</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts for textbooks only may be used to reduce the set-aside requirements of future years.

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. Financial information can be obtained from Raymond Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. Vantage Career Center

The Vantage Career Center is a distinct political subdivision of the State of Ohio, which provides vocational education to students. The Center is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Vantage Career Center, 818 North Franklin Street, Van Wert, Ohio 45891.

C. Van Wert Area Schools Consortium Local Professional Development Committee

The District is a participant in the Van Wert Area Schools Consortium Local Professional Development Committee (the Committee), which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by a Board made up of teachers from Crestview Local School District, Lincolnview Local School District, Vantage Career Center, Western Buckeye Educational Service Center, Thomas Edison MRDD, and principals from districts of the consortium. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained from the Western Buckeye Educational Service Center, 10730 Lincoln Highway, Van Wert, Ohio 45891.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(Continued)**

15. INSURANCE POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Van Wert Area School Insurance Group (VWASIG)

The Van Wert Area School Insurance Group (VWASIG) is a public entity shared risk pool consisting of five members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, who serves as fiscal agent, 641 North Jefferson Street, Van Wert, Ohio 45891.

16. 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 on its financial operations.

17. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

B. Litigation

There are currently no matters in litigation in which the School District is a defendant.

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Auditor of State Betty Montgomery

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

Crestview Local School District
Van Wert County
531 E. Tully Street
Convoy, Ohio 45832

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crestview Local School District, Van Wert County, (the School District), as of and for the years ended June 30, 2006 and June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 13, 2006, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated November 13, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2006-001 through 2006-005. In a separate letter to the School District's management dated November 13, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Crestview Local School District
Van Wert County
Independent Accountants' Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Education. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 13, 2006

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Finding for Recovery – Repaid Under Audit

In fiscal 2005 and 2006 the former Crestview Local School District latchkey coordinator was paid a contracted salary for the morning latchkey program for the hours between 6:00 AM and 8:00 AM and submitted hourly time sheets for after school latchkey hours. When school was delayed or cancelled and the latchkey coordinator worked longer hours, she was to receive payment for any additional hours after her normal two morning hours. In reviewing the latchkey coordinator's fiscal year 2005 and 2006 time sheets, we noted 11 hours in fiscal 2005 and 5 hours in fiscal 2006 in which the additional hours submitted on the time sheets for the days school was cancelled or delayed included the two regular salaried hours.

In addition, the timesheets for fiscal 2005 indicated 1.5 hours on March 22, 2005, that were recorded on both a timesheet for after school latchkey hours and on a time sheet for working at a banquet in the school's cafeteria at the exact same date and time.

Per the latchkey coordinators salary contracts, her hourly rates were \$11.03 for fiscal 2005 and \$11.58 for fiscal 2006, resulting in an overpayment for 12.5 hours and \$137.88 for fiscal 2005 and 5 hours and \$57.90 for fiscal 2006, for a total overpayment amount of \$195.78.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Tina Miller, former latchkey coordinator, and the Travelers Casualty and Surety Company of America, her bonding company, jointly and severally, in the amount of \$195.78 in favor of the Crestview Local School District Latchkey Fund.

Client Response: The finding was repaid under audit by the former latchkey coordinator in the amount of \$195.78 on December 5, 2006, on school district receipt No. 270304.

FINDING NUMBER 2006-002

Finding for Recovery – Repaid Under Audit

Crestview Local School District's former latchkey coordinator was also employed by an outside cleaning service. Comparison of the time sheets submitted by the latchkey coordinator in fiscal 2005 and 2006 to those of the cleaning company for the same period indicated the former latchkey coordinator submitted and was paid for 10.75 hours between September 20, 2004 and June 1, 2005, in fiscal 2005 and 16.75 hours between July 18, 2005 and May 31, 2006, in fiscal 2006 when she was working at the cleaning company. Per the salary contracts, her hourly rates were \$11.03 for 2005 and \$11.58 for 2006, resulting in an overpayment of \$118.57 in fiscal 2005 and \$193.97 in fiscal 2006, for a total overpayment amount of \$312.54.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Tina Miller, former latchkey coordinator, and the Travelers Casualty and Surety Company of America, her bonding company, jointly and severally, in the amount of \$312.54 in favor of the Crestview Local School District Latchkey Fund.

Client Response: The finding was repaid under audit by the former latchkey coordinator in the amount of \$312.54 on December 5, 2006, on school district receipt No. 270304.

FINDING NUMBER 2006-003

Finding for Recovery - Repaid Under Audit

A comparison of the revenue submitted and recorded for Crestview Local School District's latch key program fund raisers during fiscal year 2006 to the supporting sales documentation indicated additional monies should have been submitted for deposit by the former latchkey coordinator.

The invoices for the Lincoln Candles fundraiser indicated 71 candles were purchased for resale for \$710 and that the commission was to be 35% or \$248.50.

In addition, a comparison of the supporting documents for the gift bags fundraiser in 2006 indicated 32 sets of four bags were sold at \$5 each for a profit of \$160.

Accordingly, the above two fundraising events should have generated revenue of \$408.50 according to the supporting records; however, the total amount submitted by the latchkey coordinator during fiscal year 2006 for the two projects totaled \$245, leaving a shortage of \$163.50.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Tina Miller, former latchkey coordinator, and the Travelers Casualty and Surety Company of America, her bonding company, jointly and severally, in the amount of \$163.50 in favor of the Crestview Local School District Latchkey Fund.

Client Response: The finding was repaid under audit by the former latchkey coordinator in the amount of \$163.50 on December 5, 2006, on school district receipt No. 270304.

FINDING NUMBER 2006-004

Finding for Recovery – Repaid Under Audit

The Crestview Local School District's athletic department ticket tally report for the Junior High football game on September 9, 2004, indicated 130 individuals attended the game at a cost of \$2 each. The home ticket sales sheet prepared from the tally report which was signed and checked by the former athletic director Jon Amundson, also indicated the attendance was 130 at \$2 each (\$260) but that the total money collected was \$160. The corresponding activity pay-in and Treasurer's receipt #250089, indicate \$160 was deposited for the event, leaving a shortage of \$100.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Jon Amundson, former athletic director, and the Travelers Casualty and Surety Company of America, his bonding company, jointly and severally, in the amount of \$100 in favor of the Athletic Fund.

Client Response: The finding was repaid under audit by the former athletic director in the amount of \$100 on November 17, 2006, on school district receipt No. 270267.

FINDING NUMBER 2006-005

NONCOMPLIANCE CITATION

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their financial statements in accordance with GAAP.

Client Response:

The School District has elected not to prepare GAAP basis financial reports due to cost concerns.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Rev Code Section 117.38 and Ohio Admin Code Section 117-2-03 (B), failure to prepare financial statements in accordance with generally accepted accounting principles (GAAP)	No	Not Corrected – repeated as finding 2006-005.



**Auditor of State
Betty Montgomery**

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CRESTVIEW LOCAL SCHOOL DISTRICT

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 4, 2007**