



**Auditor of State
Betty Montgomery**

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Independent Accountants' Report | 1 |
| Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types and Similar Fiduciary Funds - For the Year Ended June 30, 2003 | 3 |
| Combined Statement of Cash Receipts, Disbursements and Changes In Fund Cash Balances – All Proprietary Fund Types and Similar Fiduciary Funds - For the Year Ended June 30, 2003 | 4 |
| Combined Statement of Receipts - Budget and Actual For the Year Ended June 30, 2003 | 5 |
| Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority - For the Year Ended June 30, 2003 | 6 |
| Notes to the Financial Statements | 9 |
| Schedule of Federal Awards Expenditure - For the Year Ended June 30, 2003..... | 21 |
| Notes to the Schedule of Federal Awards Expenditures..... | 22 |
| Independent Accountants' Report on Compliance and On Internal Control Required By <i>Government Auditing Standards</i> | 23 |
| Independent Accountants' Report on Compliance with Requirements Applicable To Each Major Federal Program and Internal Control over Compliance in Accordance With OMB Circular A-133 | 25 |
| Schedule of Findings..... | 27 |

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Crestview Local School District, Van Wert County, (the School District), as of and for the year ended June 30, 2003. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Crestview Local School District, as of June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

As described in Note 3, during the year ended June 30, 2003, the School District changed its method of accounting for financial reporting.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 22, 2003

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

| | Governmental Fund Types | | | | Fiduciary Funds | Totals |
|-----------------------------------------------------------------------------------------------|-------------------------|--------------------|------------------|---------------------|---------------------|----------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | (Memorandum Only) |
| Revenues: | | | | | | |
| Taxes | \$1,625,977 | \$29,732 | \$273,682 | \$101,038 | | \$2,030,429 |
| Tuition | 288,423 | | | | | 288,423 |
| Intergovernmental | 4,220,555 | 256,689 | 33,329 | 12,968 | | 4,523,541 |
| Interest | 86,713 | 190 | | | | 86,903 |
| Extracurricular Activities | | 217,725 | | | | 217,725 |
| Classroom Materials & Fees | 38,787 | | | | | 38,787 |
| Miscellaneous | 3,062 | 29,043 | | | 15,901 | 48,006 |
| Total Revenues | 6,263,517 | 533,379 | 307,011 | 114,006 | 15,901 | 7,233,814 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 3,466,988 | 50,147 | | 33,440 | 9,683 | 3,560,258 |
| Special | 600,371 | 58,417 | | | 5,445 | 664,233 |
| Vocational | 145,983 | | | 496 | | 146,479 |
| Other | 36,617 | | | | | 36,617 |
| Support Services: | | | | | | |
| Pupils | 368,603 | 123,696 | | | | 492,299 |
| Instruction | 211,011 | 18,378 | | 18,914 | | 248,303 |
| Board of Education | 16,361 | | | | | 16,361 |
| Administration | 477,780 | | | | | 477,780 |
| Fiscal | 182,249 | | 7,892 | 2,627 | | 192,768 |
| Operation and Maintenance | 450,339 | 41,987 | | | | 492,326 |
| Transportation | 320,634 | | | | | 320,634 |
| Central Services | 125,469 | | | | | 125,469 |
| Extracurricular Activities | 216,960 | 248,969 | | | | 465,929 |
| Capital Outlay | | | | 75,165 | | 75,165 |
| Debt Service: | | | 287,643 | | | 287,643 |
| Total Expenditures | 6,619,365 | 541,594 | 295,535 | 130,642 | 15,128 | 7,602,264 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (355,848) | (8,215) | 11,476 | (16,636) | 773 | (368,450) |
| Other Financing Sources (Uses): | | | | | | |
| Proceeds from Sale of Fixed Assets | 53 | | | | | 53 |
| Refund of Prior Year Expenditures | 11,932 | | | | | 11,932 |
| Operating Transfers In | | 47,258 | | 200,000 | | 247,258 |
| Operating Transfers Out | (92,269) | (47,258) | | (107,731) | | (247,258) |
| Total Other Financing Sources (Uses) | (80,284) | | | 92,269 | | 11,985 |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (436,132) | (8,215) | 11,476 | 75,633 | 773 | (356,465) |
| Fund Balances at Beginning of Year, Restated | 1,876,645 | 123,826 | 122,457 | 290,317 | 21,806 | 2,435,051 |
| Fund Balances at End of Year | <u>\$1,440,513</u> | <u>\$115,611</u> | <u>\$133,933</u> | <u>\$365,950</u> | <u>\$22,579</u> | <u>\$2,078,586</u> |

The accompanying notes are an integral part of the financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

| | <u>Proprietary Fund Types</u> | | <u>Fiduciary Funds</u> | <u>Totals (Memorandum Only)</u> |
|---------------------------------------------|-----------------------------------|-----------------------------|----------------------------|-----------------------------------------|
| | <u>Enterprise</u> | <u>Internal Service</u> | <u>Agency</u> | |
| Operating Revenues: | | | | |
| Food Services | \$287,147 | | | \$287,147 |
| Extracurricular Activities | | 51,153 | 23,989 | 75,142 |
| Classroom Materials & Fees | 19,253 | | | 19,253 |
| Miscellaneous | 32,708 | | | 32,708 |
| Total Operating Revenue | <u>339,108</u> | <u>51,153</u> | <u>23,989</u> | <u>414,250</u> |
| Operating Expenses: | | | | |
| Salaries | 162,569 | | 67 | 162,636 |
| Fringe Benefits | 45,250 | | | 45,250 |
| Purchased Services | 8,679 | 51,099 | | 59,778 |
| Materials and Supplies | 201,939 | | 3,992 | 205,931 |
| Capital Outlay | 7,295 | | | 7,295 |
| Other Objects | 143 | | 15,647 | 15,790 |
| Total Operating Expenses | <u>425,875</u> | <u>51,099</u> | <u>19,706</u> | <u>496,680</u> |
| Operating Income (Loss) | <u>(86,767)</u> | <u>54</u> | <u>4,283</u> | <u>(82,430)</u> |
| Non-Operating Revenues: | | | | |
| Miscellaneous | 1,675 | | | 1,675 |
| Interest | 2,406 | | | 2,406 |
| Refund of Prior Year Receipts | | | 250 | 250 |
| Federal and State Subsidies | 56,484 | | | 56,484 |
| Total Non-Operating Revenues | <u>60,565</u> | | <u>250</u> | <u>60,815</u> |
| Net Income (Loss) | <u>(26,202)</u> | <u>54</u> | <u>4,533</u> | <u>(21,615)</u> |
| Fund Balance at Beginning of Year, Restated | <u>98,392</u> | <u>368</u> | <u>12,919</u> | <u>111,679</u> |
| Fund Balance at End of Year | <u>\$72,190</u> | <u>\$422</u> | <u>\$17,452</u> | <u>\$90,064</u> |

The accompanying notes are an integral part of the financial statements.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003**

| Fund Types/Fund | Budget | Actual | Variance Favorable/ (Unfavorable) |
|-------------------------|--------------------|--------------------|--------------------------------------------------|
| Governmental: | | | |
| General Fund | \$6,274,141 | \$6,275,502 | \$1,361 |
| Special Revenue Funds | 583,729 | 580,637 | (3,092) |
| Debt Service Funds | 307,010 | 307,011 | 1 |
| Capital Project Funds | 314,006 | 314,006 | |
| Proprietary: | | | |
| Enterprise Funds | 413,962 | 399,673 | (14,289) |
| Internal Service Funds | 51,153 | 51,153 | |
| Fiduciary: | | | |
| Trust Funds | 19,201 | 15,901 | (3,300) |
| Total (Memorandum Only) | <u>\$7,963,202</u> | <u>\$7,943,883</u> | <u>(\$19,319)</u> |

The notes to the financial statements are an integral part of this statement.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2003**

| Fund Types/Fund | Prior Year Carryover Appropriations | 2003 Appropriations | Total |
|--------------------------------|----------------------------------------------------|--------------------------------|---------------------------|
| Governmental: | | | |
| General Fund | \$31,867 | \$6,814,738 | \$6,846,605 |
| Special Revenue Funds | 24,109 | 604,648 | 628,757 |
| Debt Service Funds | | 304,500 | 304,500 |
| Capital Project Funds | | 336,775 | 336,775 |
| Expendable Trust Funds | 4,900 | 24,800 | 29,700 |
| Proprietary: | | | |
| Enterprise Funds | 185 | 436,752 | 436,937 |
| Internal Service Funds | | 51,114 | 51,114 |
| Total (Memorandum Only) | <u>\$61,061</u> | <u>\$8,573,327</u> | <u>\$8,634,388</u> |

The notes to the financial statements are an integral part of this statement.

| <u>Actual 2003 Disbursements</u> | <u>Encumbrances Outstanding At 6/30/03</u> | <u>Total</u> | <u>Variance Favorable/ (Unfavorable)</u> |
|--------------------------------------|----------------------------------------------------|--------------------|--------------------------------------------------|
| \$6,711,634 | \$13,808 | \$6,725,442 | \$121,163 |
| 588,852 | 7,898 | 596,750 | 32,007 |
| 295,535 | | 295,535 | 8,965 |
| 238,373 | | 238,373 | 98,402 |
| 15,128 | | 15,128 | 14,572 |
| 425,875 | 2,157 | 428,032 | 8,905 |
| 51,099 | | 51,099 | 15 |
| <u>\$8,326,496</u> | <u>\$23,863</u> | <u>\$8,350,359</u> | <u>\$284,029</u> |

This page intentionally left blank.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL 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 School 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 School District is staffed by 46 non-certificated employees, 74 certificated employees who provide services to 1,089 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 School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Crestview Local School 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 School 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 School Insurance Group, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 10 and 11 of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Fund Types

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

2. Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

3. Fiduciary Fund Type

Fiduciary Funds - are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, non-expendable trust, and agency funds.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2002 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

D. Cash and Investments

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Unpaid Vacation and Sick Leave

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.

F. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For fiscal year 2003, the School District changed its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to a basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. This changed had the following effect on fund balances as previously reported:

| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Project</u> | <u>Enterprise</u> |
|----------------------------------------------------|--------------------|----------------------------|-------------------------|----------------------------|-------------------|
| Fund Balance / Retained Earnings, June 30, 2002 | \$1,477,815 | \$111,487 | \$151,299 | \$301,808 | \$183,579 |
| Accrual adjustments | 398,830 | 12,339 | (28,842) | (11,491) | (85,187) |
| Restated Fund Balance, July 1, 2002 | <u>\$1,876,645</u> | <u>\$123,826</u> | <u>\$122,457</u> | <u>\$290,317</u> | <u>\$ 98,392</u> |

4. DEPOSITS AND INVESTMENTS

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

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

Interim monies may 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 or interest by the United States;
2. Bonds, notes debentures or any other obligations 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2003, the District had \$1,600 in undeposited cash on hand which is included in the fund balance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At June 30, 2003, the carrying amount of the District's deposits was \$1,630,748 and the bank balance was \$1,482,104. Of the bank balance, \$240,013 was covered by federal depository insurance and \$1,242,091 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The School District had a repurchase agreement at June 30, 2003 with a carrying value of \$536,302 and a fair value of \$547,028 which is classified as Category 3.

5. PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes.

Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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

The School District receives property taxes from Van Wert County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

5. PROPERTY TAX (Continued)

The assessed values upon which fiscal year 2003 taxes were collected are:

| | <u>2002 Second-Half Collections</u> | | <u>2003 First-Half Collections</u> | |
|----------------------------------------------------------------------|-----------------------------------------|----------------|----------------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Real Property | | | | |
| Residential/Agricultural & Commercial/Industrial Public Utilities | \$59,851,570 48,250 | 90.21% .07 | \$60,231,330 48,250 | 90.28% .07 |
| Tangible Personal Property | | | | |
| General | 2,127,820 | 3.21 | 2,048,271 | 3.07 |
| Public Utilities | 4,319,390 | 6.51 | 4,390,530 | 6.58 |
| Total Valuation | <u>\$66,347,030</u> | <u>100.00%</u> | <u>\$66,718,381</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$47.70 | | \$47.70 | |

6. DEBT OBLIGATIONS

General Obligation Bonds - On July 1, 1993, Crestview Local School 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 \$655,000 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 Board 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%.

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, \$50,000 for fiscal year 2014. Capital appreciation bonds are not subject to redemption prior to maturity.

As of June 30, 2003, the principal outstanding for the general obligation current interest bonds is \$805,000. The annual requirements to amortize these bonds outstanding as of June 30, 2003, including interest payments of \$64,871 are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>General Obligation Bonds</u> |
|---------------------------------------|-------------------------------------|
| 2004 | \$290,323 |
| 2005 | 286,995 |
| 2006 | 292,553 |
| Total | <u>\$869,871</u> |

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

7. RISK MANAGEMENT

A. Public Liability

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2003, the School 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.

Vehicles are also covered by Nationwide 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.

Public officials' bond insurance is provided by the Nationwide Insurance Company.

B. Health Care Benefits

The School District participates in the Van Wert Area School Insurance Group, a public entity shared risk pool consisting of five members. (See Note 11) 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 management and operation of the program. Upon withdrawal, the School District 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 member's claims would be paid without regard to the member's account balance.

C. Workers' Compensation

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School 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.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Crestview Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal years 2001 and 2000, 4.2 percent and 5.5 percent were used to fund pension obligations, respectively. 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$47,693, \$33,131 and \$30,679, respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

The Crestview Local School 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and 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 for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salary. The School District is required to contribute 14 percent; 9.5 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 School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$335,146, \$303,445 and \$285,761, respectively; equal to the required contributions for each year.

C. Social Security System

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

9. POST RETIREMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. Effective July 1, 2002, 1% of covered payroll will be allocated to the fund. For the School District the amount to fund health care benefits equaled \$158,753 during the 2003 fiscal year. As of June 30, 2002, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000. The balance in the fund was \$3.011 billion at June 30, 2002.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

At June 30, 2002, the employer contributions to fund health care benefits were 8.54 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 2002, the minimum pay has been established at \$12,400. For the School District the amount to fund health care equaled \$88,952 during the 2003 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777. At June 30, 2002 STRS had net assets available for payment of healthcare benefits of \$335.2 million.

10. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed 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 school districts. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Michael Wildermuth, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Vantage Career Center

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Career Center at 818 North Franklin Street, Van Wert, Ohio 45891.

C. Van Wert Area Schools Consortium Local Professional Development Committee

The School 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 one teacher from Crestview Local School District, one teacher from Lincolnview Local School District, two teachers from Van Wert City School District, three teachers from Vantage Joint Vocational School District, two teachers collectively from the Western Buckeye Educational Service Center and the Thomas Edison MRDD, and one principal from the schools of the Consortium with terms of three years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Van Wert City School District, 641 North Jefferson Street, Van Wert.

11. GROUP INSURANCE PURCHASING POOL

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

The School 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 (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

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

B. Van Wert Area School Insurance Group (VWASIG)

The School District is a member of the Van Wert Area School Insurance Group (VWASIG) a cooperative group of Van Wert County Schools established to provide a self-insurance fund to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Calends Inc. of Fort Wayne, Indiana. The fiscal records of the pool are maintained and kept by the Van Wert City School District.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

12. STATUTORY RESERVES

The School District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2003, the reserve activity was as follows:

| | <u>Textbooks</u> | <u>Capital Acquisitions</u> | <u>Budget Stabilization</u> |
|--------------------------------------------------------------------|---------------------|---------------------------------|---------------------------------|
| Set-Aside Cash Balance as of June 30, 2002 | \$0 | \$0 | \$92,269 |
| Carryover | (15,720) | 0 | 0 |
| Required Set-Aside | 153,510 | 153,510 | 0 |
| Elimination of Budget Reserve | 0 | 0 | (92,269) |
| Qualifying Expenditures | (277,246) | (199,614) | 0 |
| Excess Expenditures Available for Carry-over to Subsequent Year | <u>\$ (139,456)</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Although the School 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.

13. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

B. Litigation

The School District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current insurance policies, so as not to materially affect the overall financial position of the School District.

C. State School Funding Decision

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

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

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--------------------------------------------------------------------|-----------------------------------------------|------------------------------------|------------------|------------------------------|----------------------|-----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| (Passed through Ohio Department of Education) | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution Program | N/A | 10.550 | | \$41,999 | | \$41,999 |
| School Breakfast Program | 050351-05PU-2002 | 10.553 | 284 | | 284 | |
| School Breakfast Program | 050351-05PU-2003 | 10.553 | 1,241 | | 1,241 | |
| Total School Breakfast Program | | | 1,525 | | 1,525 | |
| National School Lunch Program | 050351-LLP1-2002 | 10.555 | 18 | | 18 | |
| National School Lunch Program | 050351-LLP4-2002 | 10.555 | 10,201 | | 10,201 | |
| National School Lunch Program | 050351-LLP1-2003 | 10.555 | 42,600 | | 42,600 | |
| National School Lunch Program | 050351-LLP1-2003 | 10.555 | 80 | | 80 | |
| Total National School Lunch | | | 52,899 | | 52,899 | |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | 54,424 | 41,999 | 54,424 | 41,999 |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| (Passed through Ohio Department of Education) | | | | | | |
| Title I, Part A, IASA | 050351-C1S1-2003 | 84.010 | 47,913 | | 49,846 | |
| Title I, Part A, IASA | 050351-C1S1-2002 | 84.010 | | | 713 | |
| Total Title I | | | 47,913 | | 50,559 | |
| Technology Literacy Challenge Fund Grant | 050351-TJS1-2003 | 84.318 | 8,253 | | 8,253 | |
| Assistive Technology Infusion Grant | 050351-ATS3-2002 | 84.352A | 7,859 | | 7,859 | |
| Special Education Cluster: | | | | | | |
| Title VI-B, Special Education Grants to States | 050351-6BSF-2002-P | 84.027 | 1,440 | | 2,476 | |
| Title VI-B, Special Education Grants to States | 050351-6BSF-2003-P | 84.027 | 111,353 | | 111,353 | |
| Total Special Education Cluster | | | 112,793 | | 113,829 | |
| Title VI, Innovative Education Program Strategies | 050351-C2S1-2003 | 84.298 | 5,903 | | 5,903 | |
| Advanced Placement Program | 050351-AVS1-2003 | 84.330 | 150 | | 150 | |
| Drug Free Grant | 050351-DRS1-2003 | 84.186 | 7,369 | | 7,369 | |
| Improving Teacher Quality | 050351-TRS1-2003 | 84.367 | 40,375 | | 36,028 | |
| Total U.S. Department of Education | | | 230,615 | | 229,950 | |
| Total Federal Assistance | | | <u>\$285,039</u> | <u>\$41,999</u> | <u>\$284,374</u> | <u>\$41,999</u> |

See accompanying notes to the schedule of federal awards expenditures.

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2003**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of Crestview Local School District, Van Wert County, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated August 22, 2003, wherein we noted that the District implemented the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated August 22, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated August 22, 2003.

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

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

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

Betty Montgomery
Auditor of State

August 22, 2003



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

August 22, 2003

**CRESTVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | Nutrition Cluster - CFDA #'s 10.550, 10.553 & 10.555 Title VI-B - CFDA # 84.027 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

FINDING NUMBER 2003-001

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 Admin Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepares 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 School 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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
OCTOBER 9, 2003**