

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

**BASIC FINANCIAL STATEMENTS
*(Audited)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2007***

JULIE SMITH, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Crestline Exempted Village School District, Crawford County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 1, 2008

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, its major fund and the aggregate remaining fund information of Crestline Exempted Village School District, Crawford County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Crestline Exempted Village School District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Crestline Exempted Village School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Crestline Exempted Village School District, Crawford County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the basic financial statements, net assets have been restated at June 30, 2006 as a result of a capital asset appraisal.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2007, on our consideration of the Crestline Exempted Village School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 10, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The management's discussion and analysis of the Crestline Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$66,583 which represents a 1.71% increase from 2006.
- General revenues accounted for \$6,539,522 in revenue or 75.38% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,136,096 or 24.62% of total revenues of \$8,675,618.
- The District had \$8,609,035 in expenses related to governmental activities; \$2,136,096 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,539,522 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$6,787,622 in revenues and \$6,377,921 in expenditures and other financing uses. During fiscal year 2007, the general fund's fund balance increased \$409,701 from \$1,563,144 to \$1,972,845.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-46 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Net assets at the beginning of the year were restated (see Note 3.A. to the basic financial statements for detail). The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities <u>2007</u>	Restated Governmental Activities <u>2006</u>
<u>Assets</u>		
Current and other assets	\$ 5,479,819	\$ 5,510,155
Capital assets	<u>1,770,975</u>	<u>1,764,986</u>
Total assets	<u>7,250,794</u>	<u>7,275,141</u>
<u>Liabilities</u>		
Current liabilities	2,928,652	2,999,665
Long-term liabilities	<u>365,831</u>	<u>385,748</u>
Total liabilities	<u>3,294,483</u>	<u>3,385,413</u>
<u>Net Assets</u>		
Invested in capital assets	1,770,975	1,764,986
Restricted	374,527	760,279
Unrestricted	<u>1,810,809</u>	<u>1,364,463</u>
Total net assets	<u>\$ 3,956,311</u>	<u>\$ 3,889,728</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$3,956,311. Of this total, \$1,810,809 is unrestricted in use.

At year-end, capital assets represented 24.42% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets at June 30, 2007, were \$1,770,975. These capital assets are used to provide services to the students and are not available for future spending.

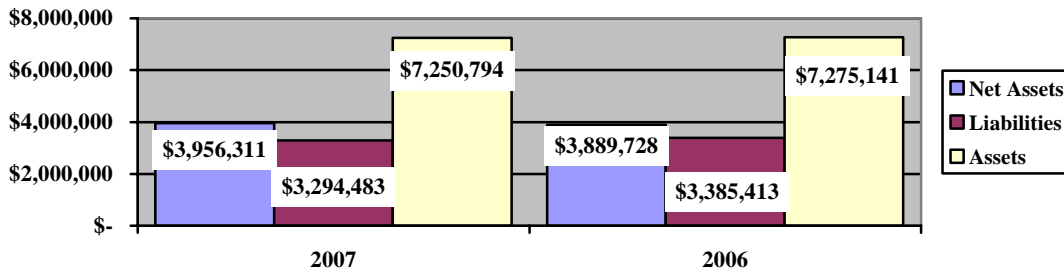
A portion of the District's net assets, \$374,527, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,810,809 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The table below provides a summary of the District's net assets for 2007 and 2006:

Governmental Activities



The table below shows the change in net assets for fiscal year 2007 and 2006.

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 465,876	\$ 471,196
Operating grants and contributions	1,666,485	1,435,225
Capital grants and contributions	3,735	8,832
General revenues:		
Property taxes	2,929,221	2,998,075
Grants and entitlements	3,482,394	3,332,092
Investment earnings	116,182	91,640
Other	<u>11,725</u>	<u>30,313</u>
Total revenues	<u>8,675,618</u>	<u>8,367,373</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,536,724	\$ 2,866,793
Special	1,073,451	857,603
Vocational	19,413	4,460
Other	340,512	404,988
Support services:		
Pupil	439,802	400,781
Instructional staff	448,579	332,285
Board of education	28,423	32,721
Administration	736,974	801,560
Fiscal	239,645	251,905
Business	13	-
Operations and maintenance	666,329	712,118
Pupil transportation	282,095	240,090
Central	33,564	37,266
Operations of non-instructional services	92,621	64,878
Food service operations	260,604	258,867
Extracurricular activities	410,286	302,589
Interest and fiscal charges	<u>-</u>	<u>792</u>
Total expenses	<u>8,609,035</u>	<u>7,569,696</u>
Change in net assets	66,583	797,677
Net assets at beginning of year (restated)	<u>3,889,728</u>	<u>3,092,051</u>
Net assets at end of year	<u><u>\$ 3,956,311</u></u>	<u><u>\$ 3,889,728</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$66,583. Total governmental expenses of \$8,609,035 were offset by program revenues of \$2,136,096 and general revenues of \$6,539,522. Program revenues supported 24.81% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 73.90% of total governmental revenue.

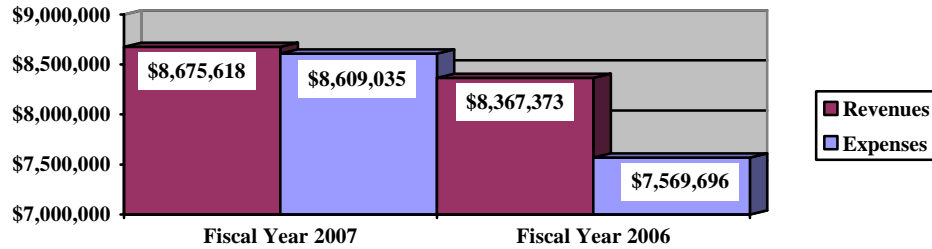
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,970,100 or 57.73% of total governmental expenses for fiscal 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Program expenses				
Instruction:				
Regular	\$ 3,536,724	\$ 2,897,971	\$ 2,866,793	\$ 2,185,738
Special	1,073,451	494,740	857,603	469,585
Vocational	19,413	17,337	4,460	4,460
Other	340,512	326,544	404,988	404,988
Support services:				
Pupil	439,802	357,664	400,781	324,010
Instructional staff	448,579	272,660	332,285	174,219
Board of education	28,423	28,423	32,721	32,721
Administration	736,974	584,207	801,560	691,562
Fiscal	239,645	234,645	251,905	246,905
Business	13	13	-	-
Operations and maintenance	666,329	662,268	712,118	707,595
Pupil transportation	282,095	256,274	240,090	232,487
Central	33,564	317	37,266	883
Operations of non-instructional services	92,621	12,483	64,878	(24,331)
Food service operations	260,604	(1,073)	258,867	(14,572)
Extracurricular activities	410,286	328,466	302,589	217,401
Interest and fiscal charges	-	-	792	792
Total expenses	<u>\$ 8,609,035</u>	<u>\$ 6,472,939</u>	<u>\$ 7,569,696</u>	<u>\$ 5,654,443</u>

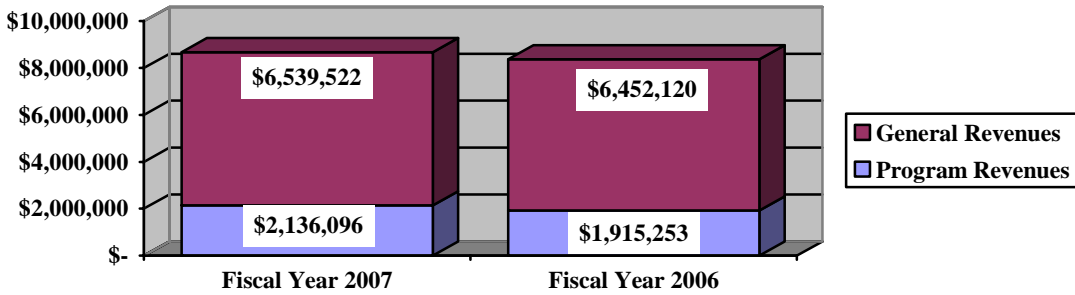
**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The dependence upon tax and other general revenues for governmental activities is apparent, 75.18% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.19%. The District's taxpayers are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006:

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,213,068, which is higher than last year's total of \$2,166,082. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 1,972,845	\$ 1,563,144	\$ 409,701	26.21 %
Other Governmental	<u>240,223</u>	<u>602,938</u>	<u>(362,715)</u>	60.16 %
Total	<u>\$ 2,213,068</u>	<u>\$ 2,166,082</u>	<u>\$ 46,986</u>	2.17 %

General Fund

The District's general fund balance increased \$409,701. The increase in fund balance can be attributed to increased revenues being more than increased expenditures. The increase in general fund revenues is primarily due to the increase in earnings on investments which is due to increased interest rates. The increase in general fund expenditures are primarily due to increase in instructions expenditures and extracurricular expenditures, as well as facilities acquisition and construction expenditures.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,752,452	\$ 2,820,821	\$ (68,369)	(2.42) %
Tuition	234,439	219,623	14,816	6.75 %
Earnings on investments	116,182	89,887	26,295	29.25 %
Intergovernmental	3,672,209	3,310,819	361,390	10.92 %
Other revenues	<u>12,340</u>	<u>41,397</u>	<u>(29,057)</u>	(70.19) %
Total	<u>\$ 6,787,622</u>	<u>\$ 6,482,547</u>	<u>\$ 305,075</u>	4.71 %
<u>Expenditures</u>				
Instruction	\$ 3,664,277	\$ 3,284,929	\$ 379,348	11.55 %
Support services	2,382,134	2,361,990	20,144	0.85 %
Extracurricular activities	267,342	200,428	66,914	33.39 %
Facilities acquisition and construction	59,894	-	59,894	100.00 %
Debt service	<u>-</u>	<u>48,592</u>	<u>(48,592)</u>	(100.00) %
Total	<u>\$ 6,373,647</u>	<u>\$ 5,895,939</u>	<u>\$ 477,708</u>	8.10 %

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 2007, the District amended the general fund budget. For the general fund, original budgeted revenues and other financing sources were \$5,928,085 and final budgeted revenues and other financing sources was \$6,750,753. Actual revenues and other financing sources for fiscal 2007 was \$6,750,071. This represents a \$682 decrease over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$6,432,528 were increased to \$6,536,661 in the final appropriations. The actual budget basis expenditures for fiscal year 2007 totaled \$6,536,661, which was the same as final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Capital Assets and Debt Administration

Capital Assets

The District restated capital assets as described in Note 3.A to the basic financial statements. At the end of fiscal year 2007, the District had \$1,770,975 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2007 balances compared to 2006:

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

	Governmental Activities	
	2007	(Restated) 2006
Land	\$ 138,210	\$ 138,210
Land improvements	326,001	289,040
Building and improvements	938,363	1,003,831
Furniture and equipment	259,239	223,915
Vehicles	109,162	109,990
Total	\$ 1,770,975	\$ 1,764,986

The overall increase in capital assets of \$5,989 is due to capital outlays of \$165,791 exceeding depreciation expense of \$157,257 and the disposal of \$37,883 in capital assets exceeding their associated accumulated depreciation by \$2,545 in the fiscal year.

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

Debt Administration

At June 30, 2007, the District had no obligations outstanding.

At June 30, 2007, the District's overall legal debt margin was \$6,337,693, and an unvoted debt margin of \$70,418.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District faces many financial challenges. The first challenge is that although the District had the resources necessary to meet operating expenses in fiscal year 2007, primarily due to an extensive Reduction in Force at fiscal year end 2004 and a change in the district insurance plan from a traditional plan to a PPO plan in fiscal year 2006, it will be critical that the district's management continue to operate the district within its financial means, in order to avoid operating deficits. It is expected in fiscal year 2009 that the district will experience an operating deficit if district revenues do not increase. District management is currently evaluating revenue options that will provide for a financially stable district, students that are receiving the services they deserve and taxpayers that are willing to support the needs of both.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

In light of these events, the District will experience a financial blow due to the passage of House Bill 66. The phase-out of tangible personal property tax will prove to be detrimental to district revenues beginning in 2010 as the phase-out will no longer be reimbursed at the full percentage of loss. The tax shift, a shift from business taxpayers to residential taxpayers, is also feared to be a detriment at the ballot box. As the burden of local supports falls more on local residents, many campaigns for financial assistance are inevitable.

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

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

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 2,260,719
Receivables:	
Taxes	3,077,263
Accounts	335
Intergovernmental	117,827
Prepayments	19,197
Materials and supplies inventory	4,478
Capital assets:	
Land	138,210
Depreciable capital assets, net	1,632,765
Capital assets, net.	<u>1,770,975</u>
 Total assets.	 <u>7,250,794</u>
Liabilities:	
Accounts payable.	48,923
Accrued wages and benefits	725,090
Pension obligation payable.	153,578
Intergovernmental payable	51,283
Unearned revenue	1,949,778
Long-term liabilities:	
Due within one year.	19,578
Due in more than one year	346,253
 Total liabilities	 <u>3,294,483</u>
Net Assets:	
Invested in capital assets	1,770,975
Restricted for:	
Capital projects	135,699
Debt service.	88
Locally funded programs	2,225
State funded programs	70,451
Federally funded programs	49,039
Student activities	62,302
Other purposes	54,723
Unrestricted.	<u>1,810,809</u>
 Total net assets	 <u>\$ 3,956,311</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
Instruction:						
Regular	\$ 3,536,724	\$ 264,069	\$ 374,684	\$ -	\$ (2,897,971)	
Special	1,073,451	-	578,711	-	(494,740)	
Vocational	19,413	-	2,076	-	(17,337)	
Other	340,512	-	13,968	-	(326,544)	
Support services:						
Pupil	439,802	10,695	71,443	-	(357,664)	
Instructional staff	448,579	8,519	167,400	-	(272,660)	
Board of education	28,423	-	-	-	(28,423)	
Administration	736,974	82	152,685	-	(584,207)	
Fiscal	239,645	-	5,000	-	(234,645)	
Business	13	-	-	-	(13)	
Operations and maintenance	666,329	1,097	2,964	-	(662,268)	
Pupil transportation	282,095	151	21,935	3,735	(256,274)	
Central	33,564	-	33,247	-	(317)	
Operation of non-instructional	92,621	14,517	65,621	-	(12,483)	
Food service operations	260,604	99,184	162,493	-	1,073	
Extracurricular activities	410,286	67,562	14,258	-	(328,466)	
Total governmental activities	\$ 8,609,035	\$ 465,876	\$ 1,666,485	\$ 3,735	(6,472,939)	

General Revenues:

Property taxes levied for:	
General purposes	2,781,226
Capital projects	147,995
Grants and entitlements not restricted to specific programs	
Investment earnings	116,182
Miscellaneous	11,725
Total general revenues	6,539,522
Change in net assets	66,583
Net assets at beginning of year (restated)	3,889,728
Net assets at end of year	\$ 3,956,311

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,800,915	\$ 405,081	\$ 2,205,996
Receivables:			
Taxes	2,919,197	158,066	3,077,263
Accounts	-	335	335
Intergovernmental	-	117,827	117,827
Interfund receivable	49,920	-	49,920
Prepayments	19,197	-	19,197
Materials and supplies inventory	-	4,478	4,478
Restricted assets:			
Equity in pooled cash and cash equivalents	54,723	-	54,723
Total assets	<u>\$ 4,843,952</u>	<u>\$ 685,787</u>	<u>\$ 5,529,739</u>
Liabilities:			
Accounts payable	\$ 20,694	\$ 28,229	\$ 48,923
Accrued wages and benefits	552,915	172,175	725,090
Pension obligation payable	117,864	35,714	153,578
Intergovernmental payable	40,782	10,501	51,283
Interfund payable	-	49,920	49,920
Deferred revenue	287,648	50,451	338,099
Unearned revenue	1,851,204	98,574	1,949,778
Total liabilities	<u>2,871,107</u>	<u>445,564</u>	<u>3,316,671</u>
Fund Balances:			
Reserved for encumbrances	67,818	114,057	181,875
Reserved for materials and supplies inventory	-	4,478	4,478
Reserved for prepayments	19,197	-	19,197
Reserved for property tax unavailable for appropriation	777,153	43,876	821,029
Reserved for BWC refunds	35,920	-	35,920
Reserved for school bus purchase	18,803	-	18,803
Reserved for debt service	-	88	88
Unreserved, undesignated, reported in:			
General fund	1,053,954	-	1,053,954
Special revenue funds	-	20,172	20,172
Capital projects funds	-	57,552	57,552
Total fund balances	<u>1,972,845</u>	<u>240,223</u>	<u>2,213,068</u>
Total liabilities and fund balances	<u>\$ 4,843,952</u>	<u>\$ 685,787</u>	<u>\$ 5,529,739</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances		\$ 2,213,068
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,770,975
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 303,108	
Intergovernmental revenue	34,991	
Total		338,099
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		(365,831)
Net assets of governmental activities		\$ 3,956,311

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 2,752,452	\$ 147,329	\$ 2,899,781
Tuition.	234,439	18,092	252,531
Charges for services.	-	99,184	99,184
Earnings on investments.	116,182	2,864	119,046
Classroom materials and fees.	1,573	22,418	23,991
Extracurricular.	-	81,548	81,548
Other local revenues.	10,767	25,705	36,472
Intergovernmental - Intermediate.	-	500	500
Intergovernmental - State.	3,672,209	444,416	4,116,625
Intergovernmental - Federal	-	1,007,563	1,007,563
Total revenue	<u>6,787,622</u>	<u>1,849,619</u>	<u>8,637,241</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,621,152	411,755	3,032,907
Special.	700,541	372,017	1,072,558
Vocational.	19,077	-	19,077
Other.	323,507	17,005	340,512
Support services:			
Pupil.	363,141	75,301	438,442
Instructional staff	250,872	191,622	442,494
Board of education	28,196	-	28,196
Administration.	592,077	129,111	721,188
Fiscal	233,338	6,220	239,558
Business	13	-	13
Operations and maintenance.	633,824	2,284	636,108
Pupil transportation	275,074	10,709	285,783
Central.	5,599	27,965	33,564
Operation of non-instructional services:			
Food service operations	-	260,624	260,624
Other non-instructional services.	-	92,621	92,621
Extracurricular activities.	267,342	106,717	374,059
Facilities acquisition and construction	59,860	512,657	572,517
Capital outlay.	34	-	34
Total expenditures	<u>6,373,647</u>	<u>2,216,608</u>	<u>8,590,255</u>
Excess of revenues over expenditures	<u>413,975</u>	<u>(366,989)</u>	<u>46,986</u>
Other financing sources (uses):			
Transfers in	-	4,274	4,274
Transfers (out).	(4,274)	-	(4,274)
Total other financing sources (uses)	<u>(4,274)</u>	<u>4,274</u>	<u>-</u>
Net change in fund balances	409,701	(362,715)	46,986
Fund balances at beginning of year	<u>1,563,144</u>	<u>602,938</u>	<u>2,166,082</u>
Fund balances at end of year.	<u>\$ 1,972,845</u>	<u>\$ 240,223</u>	<u>\$ 2,213,068</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds	\$	46,986
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital asset additions	\$ 165,791	
Current year depreciation	<u>(157,257)</u>	
Total		8,534
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(2,545)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	29,440	
Intergovernmental	<u>8,937</u>	
Total		38,377
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(24,769)</u>
Change in net assets of governmental activities	\$	<u><u>66,583</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 2,336,361	\$ 2,660,589	\$ 2,660,320	\$ (269)
Tuition.	205,891	234,462	234,439	(23)
Earnings on investments.	102,034	116,194	116,182	(12)
Classroom materials and fees	1,381	1,573	1,573	-
Other local revenues	6,945	7,909	7,908	(1)
Intergovernmental - State	3,225,028	3,672,580	3,672,209	(371)
Total revenue	<u>5,877,640</u>	<u>6,693,307</u>	<u>6,692,631</u>	<u>(676)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,637,762	2,680,463	2,680,463	-
Special.	728,366	740,157	740,157	-
Vocational.	18,773	19,077	19,077	-
Other.	318,353	323,507	323,507	-
Support services:				
Pupil.	359,797	365,621	365,621	-
Instructional staff	264,657	268,942	268,942	-
Board of education	27,721	28,170	28,170	-
Administration.	606,860	616,684	616,684	-
Fiscal	229,750	233,469	233,469	-
Operations and maintenance.	635,199	645,482	645,482	-
Pupil transportation	272,924	277,343	277,343	-
Central.	5,510	5,599	5,599	-
Extracurricular activities.	262,841	267,096	267,096	-
Facilities acquisition and construction.	58,989	59,944	59,944	-
Total expenditures	<u>6,427,502</u>	<u>6,531,554</u>	<u>6,531,554</u>	<u>-</u>
Excess of revenues over expenditures	<u>(549,862)</u>	<u>161,753</u>	<u>161,077</u>	<u>(676)</u>
Other financing sources (uses):				
Transfers (out)	(4,206)	(4,274)	(4,274)	-
Advances in.	32,658	37,190	37,186	(4)
Advances (out)	(820)	(833)	(833)	-
Sale of assets.	17,787	20,256	20,254	(2)
Total other financing sources (uses)	<u>45,419</u>	<u>52,339</u>	<u>52,333</u>	<u>(6)</u>
Net change in fund balance	(504,443)	214,092	213,410	(682)
Fund balances at beginning of year	1,471,048	1,471,048	1,471,048	-
Prior year encumbrances appropriated	92,528	92,528	92,528	-
Fund balance at end of year	<u>\$ 1,059,133</u>	<u>\$ 1,777,668</u>	<u>\$ 1,776,986</u>	<u>\$ (682)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 22,739
Total assets.	<u>\$ 22,739</u>
Liabilities:	
Due to students	\$ 22,739
Total liabilities	<u>\$ 22,739</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Private-Purpose Trust	
	Scholarship	
Deductions:		
Scholarships awarded	\$ 6,000	
Change in net assets		(6,000)
Net assets at beginning of year.		6,000
Net assets at end of year	\$ -	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 571st largest by enrollment among the 876 public and community school districts in the state. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the District's 5 instructional/support facilities staffed by 44 classified and 64 certificated full and part-time teaching personnel who provide services to 681 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments (the "COG")

The COG is a jointly governed organization among 15 school districts and 1 county educational service center. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, as amended by GASB 39, the District does not have any equity interest in the COG. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

RELATED ENTITY

Crestline Public Library (the "Library")

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

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

GOVERNMENTAL FUNDS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

D. Basis of Accounting

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

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

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Crawford County Budget Commission for rate determination. The Crawford County Budget Commission waived the tax budget filing requirement for the fiscal year 2007.

Estimated Resources:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Appropriations:

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources.

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

F. Cash and Investments

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

During fiscal year 2007, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$116,182 which includes \$29,724 assigned from other funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

L. Fund Balance Reserves

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute. See Note 16 for details.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Q. Interfund Activity

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

R. Parochial Schools

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Restatement of Net Assets

The District had a reappraisal of its capital assets during fiscal year 2007, which resulted in a restatement of net assets of the governmental activities at June 30, 2006. The adjustment for capital assets had the following effect on net assets as previously reported:

	<u>Governmental Activities</u>
Net assets, June 30, 2006	\$ 2,701,960
Adjustment for capital assets	<u>1,187,768</u>
Restated net assets, July 1, 2006	<u><u>\$ 3,889,728</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Daycare	\$ 18,977
Public School Preschool	28,570
Disadvantaged Pupil Impact Aid	4,036
Poverty Aid	10,298
Title VI-B	16,621
Title I	18,338
Preschool	79
Improving Teacher Quality	9,554

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

At year-end, the District had \$50 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$112,192 exclusive of the \$735,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$56,266 of the District's bank balance of \$156,266 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 735,000	\$ 735,000
STAR Ohio	<u>1,436,216</u>	<u>1,436,216</u>
Total	<u>\$ 2,171,216</u>	<u>\$ 2,171,216</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in the federal agency securities that underlie the District's repurchase agreement were rated Aaa by Moody's Investor Services. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$735,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase Agreement	\$ 735,000	33.85
STAR Ohio	<u>1,436,216</u>	<u>66.15</u>
Total	<u>\$ 2,171,216</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 112,192
Investments	2,171,216
Cash on hand	<u>50</u>
Total	<u>\$ 2,283,458</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,260,719
Agency funds	<u>22,739</u>
Total	<u>\$ 2,283,458</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 49,920

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

	<u>Transfers From</u>
Transfers to	<u>General</u>
Nonmajor Governmental	\$ <u>4,274</u>
Total	\$ <u>4,274</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

All transfers made in fiscal year 2007 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007, will be 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Crawford and Richland Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County Auditors by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount that was available as an advance at June 30, 2007 was \$777,153 in the general fund and \$43,876 in the permanent improvement fund. The amount that was available as an advance at June 30, 2006 was \$683,610 in the general fund and \$38,987 in the permanent improvement fund. This amount has been recorded as revenue.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility real estate	\$ 47,423,790	59.79	\$ 53,683,520	66.88
Commercial/industrial real estate	11,773,070	14.84	13,259,390	16.52
Public utility personal	14,576,988	18.38	4,828,040	6.02
Tangible personal property	<u>5,544,470</u>	<u>6.99</u>	<u>8,494,880</u>	<u>10.58</u>
Total	<u>\$ 79,318,318</u>	<u>100.00</u>	<u>\$ 80,265,830</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$61.80		\$61.42	
Permanent improvements	3.00		3.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental Activities:

Taxes	\$ 3,077,263
Accounts	335
Intergovernmental	<u>117,827</u>
Total	<u>\$ 3,195,425</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated at June 30, 2006 (See Note 3.A. for detail). The restatement had the following effect on capital assets as previously reported:

	Balance <u>June 30, 2006</u>	<u>Adjustments</u>	Restated Balance <u>July 1, 2006</u>
Governmental Activities			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 138,210	\$ -	\$ 138,210
Total capital assets, not being depreciated	<u>138,210</u>	<u>-</u>	<u>138,210</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	401,382	452,554	853,936
Buildings and improvement	2,891,536	793,813	3,685,349
Furniture and equipment	1,012,913	697,181	1,710,094
Vehicles	310,035	1,850	311,885
Total capital assets, being depreciated	<u>4,615,866</u>	<u>1,945,398</u>	<u>6,561,264</u>
<i>Less: accumulated depreciation</i>	<u>(4,176,858)</u>	<u>(757,630)</u>	<u>(4,934,488)</u>
Governmental activities capital assets, net	<u>\$ 577,218</u>	<u>\$ 1,187,768</u>	<u>\$ 1,764,986</u>

- B. Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Restated Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2007</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 138,210	\$ -	\$ -	\$ 138,210
Total capital assets, not being depreciated	<u>138,210</u>	<u>-</u>	<u>-</u>	<u>138,210</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	853,936	64,085	-	918,021
Buildings and improvements	3,685,349	-	-	3,685,349
Furniture and equipment	1,710,094	85,206	(37,883)	1,757,417
Vehicles	311,885	16,500	-	328,385
Total capital assets, being depreciated	<u>6,561,264</u>	<u>165,791</u>	<u>(37,883)</u>	<u>6,689,172</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(564,896)	(27,124)	-	(592,020)
Buildings and improvements	(2,681,518)	(65,468)	-	(2,746,986)
Furniture and equipment	(1,486,179)	(47,337)	35,338	(1,498,178)
Vehicles	(201,895)	(17,328)	-	(219,223)
Total accumulated depreciation	<u>(4,934,488)</u>	<u>(157,257)</u>	<u>35,338</u>	<u>(5,056,407)</u>
Governmental activities capital assets, net	<u>\$ 1,764,986</u>	<u>\$ 8,534</u>	<u>\$ (2,545)</u>	<u>\$ 1,770,975</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 75,952
<u>Support Services:</u>	
Pupil	303
Instructional staff	1,549
Board of education	227
Administration	15,328
Operations and maintenance	18,224
Pupil transportation	8,748
Extracurricular activities	36,227
Food service operations	<u>699</u>
Total depreciation expense	<u>\$ 157,257</u>

NOTE 9 - COMPENSATED ABSENCES

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

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/07</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental Activities:					
Compensated absences	\$ 385,748	\$ 35,911	\$ (55,828)	\$ 365,831	\$ 19,578
Total long-term obligations, governmental activities	<u>\$ 385,748</u>	<u>\$ 35,911</u>	<u>\$ (55,828)</u>	<u>\$ 365,831</u>	<u>\$ 19,578</u>

Compensated absences will be paid from the fund from which the employee is paid, which for the District is primarily the general fund, the food service fund (a nonmajor governmental fund), the public school preschool fund (a nonmajor governmental fund), and the Title I fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LONG-TERM OBLIGATIONS- (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$6,337,693 (including available funds of \$88) and an unvoted debt margin of \$70,418.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2007, the District retained property insurance coverage, boiler and machinery coverage, and inland marine floaters in the blanket amount of \$26,862,489 with 100% coinsurance, replacement cost endorsement and a \$2,500 deductible. Vehicles are covered by Auto-Owners Insurance Company and hold a \$250 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 limit of liability for bodily injury per person, per occurrence, and property damage.

Indiana Insurance Companies provide general liability coverage with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate limit. The general liability insurance carries a \$2,500 deductible.

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

B. Employee Dishonesty Bonds

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Employee Group Medical, Dental, and Life Insurance

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

Superintendent	\$40,000
Treasurer	55,000
High School Principal	72,000
Middle School Principal	64,000
Elementary Principal	64,000

The District provides a comprehensive medical benefits package to the employees through fully insured program by Medical Mutual. This package provides a comprehensive medical plan with a \$300 single and \$600 family deductible. Included in this plan is a mail-in prescription drug plan with a \$20, \$40, and \$80 per prescription deductible for drugs at a 90 day supply. The plan is administered by Medco Health, Inc. located in Columbus, Ohio. The total monthly premium paid to the insurance provider for the medical and prescription drug plan is \$516.74 for single coverage and \$1,162.67 for family coverage, and is generally paid out of the same fund that pays the salary for the employee.

The District's percentages of costs are capped by negotiated union contracts and cannot be increased except through negotiations. The non-certified employee percentage of the premium is 6% for single or family coverage, which is withheld from their biweekly payroll. The certified employee percentage of the premium is 10% for single or family coverage, which is withheld from their biweekly payroll.

The District provides dental coverage for its employees on a fully-insured basis through Medical Mutual. The total monthly premium is \$27.43 for single coverage and \$82.30 for family coverage. The employee shares for dental coverage are the same percentages as that of medical coverage.

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

D. Workers' Compensation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$111,137, \$93,926, and \$95,896; 57.72 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$46,989 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 12 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$391,865, \$370,066 and \$371,968; 84.62 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$60,253 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$2,902 made by the District and \$7,158 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$30,143 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$51,747 to fund health care benefits, including the surcharge.

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 the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing sources are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 213,410
Net adjustment for revenue accruals	94,991
Net adjustment for expenditure accruals	79,255
Net adjustment for other sources/uses	(56,607)
Adjustment for encumbrances	78,652
GAAP basis	\$ 409,701

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$16,546 per year. A portion of the refund may be recovered from additional State entitlement payments.

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 16 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Reserve</u>
Set-aside cash balance as of June 30, 2006	\$ (468,142)	\$ (199,403)	\$ 35,920
Current year set-aside requirement	103,919	103,919	-
Current year offsets	-	(142,507)	-
Qualifying disbursements	<u>(229,408)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (593,631)</u>	<u>\$ (237,991)</u>	<u>\$ 35,920</u>
Cash balance carried forward to FY 2008	<u>\$ (593,631)</u>	<u>\$ (199,403)</u>	<u>\$ 35,920</u>

The District had offsets and qualifying disbursements during the year and prior years that reduced the set-aside amounts below zero in the textbook and capital acquisition reserves, these extra amounts may be used to reduce the set-aside requirements of future years, for the textbooks, but not the capital acquisition set-asides.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2007 follows:

Amounts restricted for budget reserve (BWC)	\$ 35,920
Amounts restricted for school bus purchases	<u>18,803</u>
Total restricted assets	<u>\$ 54,723</u>

SUPPLEMENTARY DATA

**CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA #	Grant I.D. Number	(E) Cash Federal Receipts	Other Federal Receipts	(E) Cash Federal Expenditures	Other Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
(C) Food Donation	10.550	N/A	\$ -	\$ 16,869	\$ -	\$ 16,869
Total Food Donation			-	16,869	-	16,869
Nutrition Cluster:						
(A) (D) School Breakfast Program	10.553	045344-05PU-2006	4,230		4,230	
(A) (D) School Breakfast Program	10.553	045344-05PU-2007	24,340		24,340	
Total School Breakfast Program			28,570		28,570	
(A) (D) National School Lunch Program	10.555	045344-LLP4-2006	17,232		17,232	
(A) (D) National School Lunch Program	10.555	045344-LLP1-2007	3,556		3,556	
(A) (D) National School Lunch Program	10.555	045344-LLP4-2007	92,276		92,276	
Total National School Lunch Program			113,064		113,064	
(A) (D) Child and Adult Care Food Program	10.558	045344-CCMO-2006	407		407	
(A) (D) Child and Adult Care Food Program	10.558	045344-CCMO-2007	2,055		2,055	
Total Child and Adult Care Food Program			2,462		2,462	
Total U.S. Department of Agriculture			144,096	16,869	144,096	16,869
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	84.010	045344-C1S1-2006	-		4,197	
Title I Grants to Local Educational Agencies	84.010	045344-C1S1-2007	148,091		140,828	
Total I Grants to Local Educational Agencies			148,091		145,025	
Special Education Cluster:						
(B) Special Education: Grants to States	84.027	045344-6BSF-2006	-		10,739	
(B) Special Education: Grants to States	84.027	045344-6BSF-2007	210,579		193,862	
Total Special Education Grants to States			210,579		204,601	
(B) Special Education - Preschool Grants	84.173	045344-PGS1-2006	192		849	
(B) Special Education - Preschool Grants	84.173	045344-PGS1-2007	4,855		4,649	
Total Special Education - Preschool Grants			5,047		5,498	
Total Special Education Cluster			215,626		210,099	
(F) Safe and Drug-Free Schools and Communities	84.186	045344-DRS1-2006	(346)		2,849	
Safe and Drug-Free Schools and Communities	84.186	045344-DRS1-2007	5,046		880	
Total Safe & Drug Free Schools & Communities			4,700		3,729	
21st Century Community Learning Centers	84.287	045344-T1S1-2006	14,956		27,888	
21st Century Community Learning Centers	84.287	045344-T1S1-2007	257,014		227,298	
Total 21st Century Community Learning Centers			271,970		255,186	
(G) Title VI - State Grants for Innovative Programs	84.298	045344-C2S1-2001	(5,382)		-	
(H) Title VI - State Grants for Innovative Programs	84.298	045344-C2S1-2006	(268)		2,498	
Title VI - State Grants for Innovative Programs	84.298	045344-C2S1-2007	1,593		1,324	
Total VI - State Grants for Innovative Programs			(4,057)		3,822	
Technology Literacy Challenge Fund Grants	84.318	045344-TJS1-2006	833		1,033	
Technology Literacy Challenge Fund Grants	84.318	045344-TJS1-2007	3,308		2,620	
Total Technology Literacy Challenge Fund Grants			4,141		3,653	
Title I Federal School Reform Demonstration	84.332	045344-RFCC-2006	31,731		44,281	
Title I Federal School Reform Demonstration	84.332	045344-RFCC-2007	72,000		60,663	
Total Title I Federal School Reform Demonstration			103,731		104,944	
Improving Teacher Quality	84.367	045344-TRS1-2006	10,825		7,055	
Improving Teacher Quality	84.367	045344-TRS1-2007	53,840		53,840	
Total Improving Teacher Quality			64,665		60,875	
Total U.S. Department of Education			808,867		787,333	
Total Federal Financial Assistance			\$ 952,963	\$ 16,869	\$ 931,429	\$ 16,869

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) Included as part of "Special Education Grant Cluster" in determining major programs.
- (C) The Food Donation Program is a non-cash, in kind federal grant. Commodities are valued at fair market prices.
- (D) Commingled with the state and local revenue from sales of lunches; assumed expenditures were made on a first in first out basis.
- (E) This schedule was prepared on a cash basis of accounting.
- (F) The amount of \$346 was transferred to the next grant year based on Ohio Department of Education administrative action.
- (G) The amount of \$5,382 was refunded to the Ohio Department of Education due to expiration of the period of availability.
- (H) The amount of \$268 was transferred to the next grant year based on Ohio Department of Education administrative action.



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

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Crestline Exempted Village School District, Crawford County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Crestline Exempted Village School District's basic financial statements and have issued our report thereon dated December 10, 2007. As discussed in Note 3 to the basic financial statements, net assets have been restated as a result of a capital asset appraisal. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crestline Exempted Village School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crestline Exempted Village School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Crestline Exempted Village School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Crestline Exempted Village School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Crestline Exempted Village School District's financial statements that is more than inconsequential will not be prevented or detected by Crestline Exempted Village School District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as 2007-CEVSD-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Crestline Exempted Village School District's internal control.

Board of Education
Crestline Exempted Village School District

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to not be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Crestline Exempted Village School District in a separate letter dated December 10, 2007.

Crestline Exempted Village School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Crestline Exempted Village School District's response and, accordingly, we express no opinion on it.

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



Julian & Grube, Inc.
December 10, 2007



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

Compliance

We have audited the compliance of Crestline Exempted Village School District, Crawford County, Ohio, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2007. Crestline Exempted Village School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Crestline Exempted Village School District's management. Our responsibility is to express an opinion on Crestline Exempted Village School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Crestline Exempted Village School Districts 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 of Crestline Exempted Village School District's compliance with those requirements.

In our opinion, Crestline Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

Board of Education
Crestline Exempted Village School District

Internal Control Over Compliance

The management of Crestline Exempted Village School 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 Crestline Exempted Village School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Crestline Exempted Village School District's internal control over compliance.

A control deficiency in Crestline Exempted Village School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Crestline Exempted Village School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Crestline Exempted Village School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Crestline Exempted Village School District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Julian & Grube, Inc.
December 10, 2007

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	21 st Century Community Learning Centers - CFDA #84.287
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2007-CEVSD-001

Significant Deficiency

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This standard became effective for audits of financial statements for periods ending on or after December 15, 2006.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 112 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One of those deficiencies, which is applicable to the District is included in the SAS related to audit adjustments and it states the following:

The District presented restated capital assets and related accumulated depreciation in their financial statements based on a valuation by an outside firm. Amounts reported at June 30, 2006 and during fiscal 2007 for capital assets and accumulated depreciation, respectively, were improperly reported.

These discrepancies resulted in a prior period adjustment in the amount of \$1,945,398 for capital assets and \$757,630 for accumulated depreciation, for a net asset adjustment of \$1,187,768.

The presentation of materially correct financial statements and the related footnotes, specifically capital assets and related accumulated depreciation and depreciation expense is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason.

In either case, it is important that control procedures are developed related to capital assets that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In addition, management should not rely on its auditor to perform this control procedure as auditors must remain independent.

We recommend the District implement control procedures related to capital asset reporting that enables management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes, specifically, its presentation of capital assets and its related depreciation and accumulated depreciation.

Client Response: The District will consult on an annual basis with its appraisal firm and with its GAAP preparation firm and review in detail its annual appraisal report.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

CRESTLINE EXEMPTED VILLAGE SCHOOL DISTRICT

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 15, 2008**